

LIBRARY OF THE
UNIVERSITY OF ILLINOIS
AT URBANA-CHAMPAIGN

338.1


I1662w

1953-58

cop.3

Agric.





Digitized by the Internet Archive
in 2011 with funding from
University of Illinois Urbana-Champaign

<http://www.archive.org/details/illinoisfarmerso5358univ>

338.1

IC662w

1953-58

cop.3

AGRIC.

UNIVERSITY OF ILLINOIS
AGRICULTURE LIBRARY

126

ILLINOIS FARMERS' OUTLOOK LETTER

For release week of January 4

FARMERS MAKE BIG CUT IN HOG PRODUCTION

The 1952 Fall Pig Crop Report showed that farmers are making another big cut in hog production. This is of much interest to most Illinois farmers. The livestock men will be interested in the probable effect upon prices of hogs. Grain farmers will be concerned about the effects upon the demand for corn.

Of most immediate interest is the big reduction in numbers of hogs ready for market. On December 1, farmers had 15 percent fewer hogs over 6 months old than they had a year earlier. This suggests that marketings through January will be considerably smaller than in January of last year.

The 1952 fall pig crop, pigs farrowed between June 1 and December 1, totalled 35 million head. This is 11 percent less than the number saved in 1951. Consequently, marketings of hogs during the coming late winter and spring figures to be 10 to 12 percent under corresponding 1952 levels.

Reports from farmers on December 1 indicated that the 1953 spring pig crop would total only about 48 million head. This would be 15 percent less than the number raised in 1952, and 23 percent less than the number raised in 1951. We can look forward to corresponding reductions in market supplies in the last half of this year.

In summary, market supplies of hogs through 1953 and into early 1954 will probably average around 10 to 15 percent less than corresponding supplies for a year earlier. These smaller supplies will make for higher prices for hogs.

The reduction in supplies of pork likely will be offset in part by larger supplies of beef. However, the price-depressing effects of more beef will be concentrated mostly upon cattle rather than on hogs.

(Continued on other side)

(Continued from other side)

Greater consumer buying power will be another factor that will support prices of hogs in 1953. As the year began, consumer incomes were averaging 5 to 7 percent over year ago levels. Continued free spending by government, business, and families is figured to provide a high level of consumer buying power in 1953.

Grain farmers may take note of the effect of the cutback in hog production upon the demand for corn. About 40 percent of the nation's corn crop usually is fed to hogs. Because farmers are feeding fewer porkers, their needs for corn will be reduced by about 170 million bushels. This is equal to about one-third of the 501 million bushel crop produced in Illinois in 1952.

The early summer (June-July) pig crop was about as large in 1952 as it was in 1951. The greatest reductions in farrowings were in October and November.

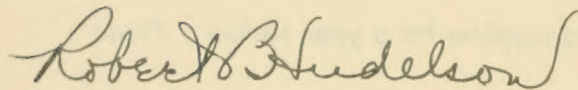
In June and July, 1,479 sows farrowed. In August and September, farrowings totalled 2,791,000, or 12 percent less than in the year before. In October and November, 1,048,000 sows farrowed, 23 percent less than in 1951.

These farrowing figures indicate that market supplies of hogs next spring may be about one-fifth smaller than in the spring of 1952.

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

L. H. Simerl
Department of Agricultural Economics

Penalty for Private Use to Avoid
Payment of Postage \$300



Acting Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-1/53-9,725
PERMIT NO. 1247

ILLINOIS FARMERS' OUTLOOK LETTER

For release week of January 11

PRICE STRUCTURE "SETTLED" IN 1952

The year 1952 was one of unusual economic stability. There was considerable "settling" of prices of some commodities, but the general price level did not change very much. Prices of many basic raw materials declined while retail consumer prices inched upward.

For a few commodities, meats for example, the price readjustments took the form of large declines at wholesale and small reductions at retail.

For this year many manufacturers are thinking in terms of higher prices for their products. They feel the pinch of higher production costs because of higher wage rates.

On the other hand, retailers seem to expect price reductions. They feel the pressure of consumer resistance first hand and think that prices will have to be cut to move the goods that factories turn out.

Bankers, traditionally conservative, go along with retailers in saying that price trends are to be lower.

Prices of basic commodities, including farm products, dropped 10 to 15 percent during 1952. During the same time average retail prices moved upward by six or seven percent.

This sort of an adjustment usually follows periods of inflation. Sometimes the adjustment comes through an advance in retail prices, sometimes by a decline in prices of the raw materials, and sometimes, as in 1952, by both.

As the new year began, prices for corn and wheat in Illinois were 20 to 25 cents a bushel under year earlier levels. By contrast soybeans were five to ten cents higher than at the beginning of 1952.

The 1953 hog market started out with prices about the same or slightly lower than they were the year before. Tops at Chicago were around \$18.50 to \$19.

(Continued on other side)

(Continued from other side)

The cattle market opened the new year with top prices in the high thirties. These figures were very nearly as high as those for one year earlier.

Prices for cheaper cattle showed a severe drop in 1952. Commercial and utility grade steers that cashed for \$25 to \$30 at the beginning of 1952 brought only \$16 to \$22 on the first markets of 1953.

Prices for lambs broke very severely in 1952. Lambs sold for over \$30 at the beginning of 1952, but brought only around \$22 at the beginning of 1953.

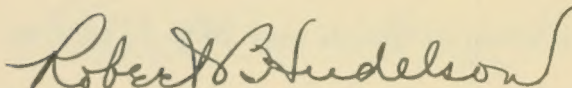
Opening 1953 prices for beef at wholesale were \$5 to \$15 a hundred pounds lower than quotations for a year earlier. For example, prime carcasses sold for \$51 to \$54 recently against \$57 to \$59 last year. Recent quotations for utility grade beef carcasses are \$29 to \$31 compared with \$46 to \$48 a year ago.

Reliable, up-to-date average retail prices for beef are not readily available. However, prices for the lower grades have been cut in some stores. Both farmers and consumers are asking why retail prices have not been reduced more.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Acting Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-1/53-9,750
PERMIT NO. 1247

ILLINOIS FARMERS' OUTLOOK LETTER

For release week of January 18

IS FARM BUYING POWER NEAR NORMAL?

The squeezing down of farm buying power may be about completed. This seems possible even though commodity prices have slumped sharply recently.

Average prices received by farmers were down to 96 percent of parity in December. The comparable figure for January seems likely to be 2 or 3 percent lower.

The normal for this figure in prosperous but non-inflationary times is probably somewhere from 90 to 95. Thus, average prices of farm products seem to have gotten into a near-normal relation to prices of things farmers buy.

A review of some price history will help to show what may be expected in the future.

From 1910 to 1952, yearly average prices received by farmers ranged from 58 to 120 percent of parity. The average for all the 43 years is 95 percent of parity. Prices were above parity in 15 years, below parity 26 years, and at the parity mark two years.

All the years when prices were at parity and higher came during, or at the end of, a period of inflation. The first year of record, 1910, had prices averaging 106 percent of parity. This was at the end of a 13-year stretch in which average wholesale prices of all commodities had rolled up more than 50 percent.

For the next five years prices received by farmers averaged between 101 and 94 percent of parity. The first World War brought more inflation, and prices averaged 117 percent for 1917-1918-1919.

Sharp deflation brought prices to 80 percent in 1921. From 1922 to 1929, yearly average prices received by farmers ranged from 87 to 95 percent of parity. The average for the eight years was 90.5 percent.

(Continued on other side)

(Continued from other side)

The years now immediately ahead may be something like the 1920's. At least we expect that fairly high level employment will continue without much interruption.

The buying power of farm products fell to very low levels in the early 1930's. However, there seems little reason now to expect conditions to become anywhere near as bad as they were then. At that time prices in the United States and other gold standard countries were carried down by a world-wide deflation. Now there is little gold standard left in the world, and even less inclination to ride it down to disasterously low prices.

During the 11 years 1930 through 1940, consumer buying power was very low because 5 to 13 million workers had no real jobs. Prices received by farmers averaged only 78 percent of parity. Almost all economists now believe that such severe deflation can be avoided in the future.

As a matter of personal opinion, we suggest that the buying power of farm products is getting close to levels which may be expected to prevail during the next few years.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Acting Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-1/53-9,750

PERMIT NO. 1247

ILLINOIS FARMERS' OUTLOOK LETTER

For release week of January 25, 1953

CATTLE ON FEED AT NEW HIGH FOR THIRD YEAR

For three years in a row United States farmers have boosted cattle feeding to new record highs. This fact is shown by the recent official report of cattle on feed January 1.

At the beginning of this year, farmers were feeding 5,836,000 head of cattle. This number is 16 percent more than were on feed a year ago, and it is 27 to 30 percent more than were being fed in each of the three years before that.

Detailed reports for the three leading states show a big swing to feeding calves and other light-weight cattle.

Illinois farmers have increased their feeding more than average. According to the government report, Illinois feedlots at the first of this year held 630,000 head of cattle, or 25 percent more than last year.

As a cattle-feeding state, Illinois ranks a close third behind Nebraska and Iowa. Iowa farmers, with 1,274,000 head on hand January 1, were feeding 27 percent more than they were feeding a year ago. At the same time, cattle in Nebraska feedlots were estimated at 731,000 head, up 40 percent from 1952.

MORE DETAILS FROM THE "BIG THREE" STATES. The largest increases in cattle on feed are in light-weight cattle. Estimates by weight classes are available for the three leading states, Iowa, Nebraska and Illinois. On January 1 these states had 840,000 head of cattle weighing under 600 pounds. This number is an increase of 329,000, or 64 percent, over the corresponding 1952 figure.

These same three states reported 1,153,000 head weighing 600-900 pounds on feed. This is 229,000, or 25 percent, more than were on feed a year ago.

(Continued on other side)

(Continued from other side)

Feedlots in the "big three" states on January 1 had only a moderate increase over last year in heavier cattle on feed. The number weighing over 900 pounds was estimated at 642,000. This is 48,000, or 8 percent, more than last year.

Farmers indicated that their marketings of fed cattle would be well distributed over the next several months. Of the cattle on feed at the beginning of this year, they expected to market 13 percent in January, 12 percent in February, 12 percent in March and 63 percent later.

As of January 1, farmers in the "big three" states had 2,056,000 head of cattle that had been on feed for less than three months, compared with 1,602,000 last year. At the same time they had had 488,000 head on feed three to six months against 346,000 a year ago. Cattle on feed more than six months totaled 91,000 this year compared with 81,000 last year.

Steers on feed numbered 1,478,000, or 17 percent more than were being fed last year. Heifers being fed numbered 335,000, or 35 percent more than last year. Calves on feed totaled 781,000 head, 60 percent more than a year ago.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Acting Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-1/53-9,650
PERMIT NO. 1247

ILLINOIS FARMERS' OUTLOOK LETTER

For release week of January 30, 1953

PRICE DROP SHOCKS CATTLEMEN

The cattle business has gone from boom to bust--and fast. And some young cattle feeders are being badly bent in the process.

This is a big change from a year or two ago. In fact, during the past few years many people have been envious of cattlemen. Ranchers and cattle feeders seemed to be making money faster and easier than most other farmers. And many city consumers, looking at the price of steak, figured that all cattlemen could afford at least one Cadillac.

Beef still isn't cheap in city markets. But prices of most grades of cattle have been chopped plenty. Average prices for beef steers at Chicago were around \$36.00 a hundred pounds throughout most of 1951. Prices turned downward in the last month of that year and worked lower during most of 1952. At the close of 1952 the average price of steers at Chicago was down to \$27.00.

The new year has brought further and much sharper breaks in prices. By the third week in January, the bulk of steers at Chicago were bringing about \$22.00 to \$28.00. These prices were \$8.00 to \$10.00 below figures of a year earlier and \$10.00 to \$12.00 under prices that prevailed throughout most of 1951.

Several factors have combined to pull the cattle market down. First, there was a big break in prices of hides, tallow and other by-products. This break took \$1.50 to \$2.00 a hundred pounds off the value of cattle.

Increasing costs of processing and distribution have gradually reduced the money returned to the farmer. From August 1951 to August 1952 the farmer's share of the consumer's dollar spent for meat dropped from 66 cents to 61 cents.

Market supplies of cattle in most months of 1952 were only moderately greater than they were a year earlier. The total slaughter of cattle and the supply of beef were about 8 percent larger than in 1951.

(Continued on other side)

(Continued from other side)

The rate of increase was a little greater through most of this January. For the first three weeks receipts of cattle at 20 markets totaled 11 percent more than in the previous year.

During the last half of 1952, increased marketings of cattle were offset by smaller marketing of hogs. For this January the cut in hog marketings exceeded the increase in supplies of cattle.

The report of cattle on feed January 1 was only moderately bearish. It showed a 16 percent increase over last year, but most of the increase was in calves and other light cattle that should not have been marketed for several months. By the time those cattle should be on the market, the supply of hogs will be further reduced.

Increased supplies of beef have brought about some cuts in retail prices. The better values at retail may bring increased consumption and some recovery in prices of middle and lower grades of cattle. Prices of those grades usually show some advance during the first half of the year.


During the past four years, farmers have boosted cattle numbers from 77 million head to about 93 million. They could become panicky and swamp the market with cattle.

Against this potential weakness there are two points of strength for the cattle market this year. These are reduced supplies of competitive pork and increased consumer buying power. Pork supplies may average around 12 percent less in 1953 than in 1952. Consumer buying power is running about 6 percent greater than it was a year ago, and employment and wage rates are expected to continue high throughout all of this year.

L. H. Simerl
Department of Agricultural Economics

Penalty for Private Use to Avoid
Payment of Postage \$300

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois



Acting Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-1/53-9,100

PERMIT NO. 1247

ILLINOIS FARMERS' OUTLOOK LETTER

For release week of February 2, 1953

GRAIN STOCKS UP 6 PERCENT FROM YEAR AGO

The supply of grain in the U. S. is moderately larger than it was a year ago. This is shown by the government reports of grain stocks on January 1.

The total supply of six principal grains at the first of this year was 127 million tons, or 6 percent more than was on hand the year before. This supply includes all corn, wheat, oats, barley, rye and sorghum grain stored on farms and elsewhere.

NINE PERCENT MORE CORN. Stocks of corn on January 1 totaled 2,576 million bushels--2 percent more than was reported 12 months earlier.

Of the total supply of corn, farm stocks made up 2,173 million bushels, or 84 percent of the total. Next biggest share was owned by the Commodity Credit Corporation. On January 1 this government agency held 244 million bushels in its own bins, and several millions more in elevators and public warehouses. The 244 million is just one million less than the amount similarly held by CCC a year before. These CCC holdings are equal to nearly 10 percent of the total supply of corn.

The total supply of oats at the beginning of this year was 865 million bushels. This is about 5 percent less than the supply of oats a year earlier.

Barley stocks on January 1 totaled 164 million bushels, up 24 percent from a year ago. At the same time sorghum grain supplies were only 54 million bushels, down 64 percent from 1952.

Stocks of these four feed grains (corn, oats, barley and sorghum grain) totaled 91 million tons at the beginning of this year. This is 2 percent more than the supply of these feed grains at the first of 1952.

Less feed grain will be needed this year than in 1952. This is because this year began with (1) about 12 percent fewer hogs on farms and (2) the prospect that the 1953 spring pig crop would be cut 15 percent under the 1952 total. The saving in corn fed to hogs will more than offset increased use for feeding beef cattle.

(Continued on other side)

(Continued from other side)

Stocks of wheat in the U. S. totaled 1,103 million bushels on January 1. This amount was 29 percent more than was reported for a year before. The wheat supply was distributed as follows: On farms--399 million bushels, or about one-fifth more than a year before. At mills, elevators and warehouses--699 million bushels, or one-third more than a year ago. In CCC bins--5 million bushels, or one-third more than last year. Most of the wheat owned by the CCC is included in the total 699 million bushels reported in elevators and warehouses.

FARMERS HAVE FEWER SOYBEANS. Stocks of soybeans on farms January 1 were estimated at 84 million bushels. This is about one-fifth less than in either of the past two years. Commercial stocks of soybeans at terminal markets at the beginning of this year totaled 13 million bushels. This compares with 10 million bushels reported for a year earlier. The reported commercial stocks do not include most of the beans held by processors.

From the beginning of harvest last fall to January 1 farmers sold (or used) 212 million bushels of soybeans. This is 17 percent more than the corresponding disappearance in the previous year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Acting Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

Ill. EE278-2/53-9,100

PERMIT NO. 1247

ILLINOIS FARMERS' OUTLOOK LETTER

For release week of February 10, 1953

LAND VALUES MADE NEW TOP

Prices of Illinois farm land went up 7 percent in the year ended last November. Four percent of this increase occurred from November 1951 to March 1952, 2 percent from March to July, and 1 percent from July to November. This information is calculated from the most recent report on land values published by the U.S.D.A. Bureau of Agricultural Economics.

Land markets in surrounding states were not so strong as in Illinois. While prices rose 7 percent in Illinois, increases in neighboring states were smaller--Indiana 5 percent, Iowa and Missouri 2 percent, and Wisconsin, no change. None of these states showed any price increases from July to November.

For the United States as a whole, average farm land prices went up 3 percent from November 1951 to July 1952, but showed no change from July to November.

During the past 20 years, Illinois land prices have climbed each year but one. Dollar values increased about exactly four-fold. During the same years, prices of Illinois farm products have multiplied by six, but prices received by Illinois farmers in recent months have been only about five times the 1932 level.

At the beginning of 1952, Illinois land values stood in about their usual (40-year average) relation to prices of Illinois farm products. However, the rise in land values and the decline in prices of farm products during the year seem to leave land values 10 to 15 percent above their average position.

Illinois professional farm managers and appraisers are pessimistic about the future of land values. At their recent meeting in Urbana, not one would say publicly that he expected lower prices. A large majority indicated that they expected prices to decline.

(Continued on other side)

(Continued from other side)

Illinois land prices have a good chance to show up at lower levels when the next report is made on the basis of March values. For one thing, winter buyers have a long time to wait for their first crops.

Another item that may depress prices is rising interest charges on money borrowed to purchase land. Rising interest rates can make land cost more even though the per acre price does not increase.

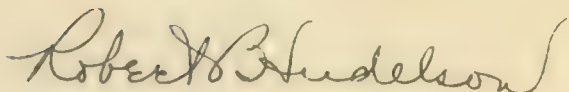
The collapse of beef cattle prices and trembles in other markets have made many farmers quite apprehensive. This is especially true of the older generation that remembers the experiences of 1920-1932. Whether justified or not, pessimistic expectations are bound to have considerable influence on land values.

Is this a good time to buy a farm? For some people the answer might be "yes," while for others the answer is "no." The prospective buyer's personal needs and opportunities should be a more important consideration than any guess about future trends in land values.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Acting Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-2/53-9,150

PERMIT NO. 1247

ILLINOIS FARMERS' OUTLOOK LETTER

For release week of February 18, 1953

FARM BUYING POWER HIGHER THAN IN "PROSPEROUS '30s"

There has been much talk lately about falling prices for farm products. Some people say that recent market quotations are "depression" prices.

Current market prices do look low compared with the prices paid at the peak of the inflation after World War II. And costs of farm operation have moved up so that net farm income has been cut from both sides. However, many old-timers, and some not-so-old-timers, can see things differently. Many recognize that recent prices are much more favorable than those of the depression years of the early 1930's. Perhaps even a few might see current conditions as more favorable than those of the "prosperous" years of the later 1930's.

This should start many arguments and lead to some checking of the records. We have done some checking on the official records, and here is what we found:

The best years for farmers during the 1930's were the last five years, 1935-39. So we will use those years for comparison with recent prices.

First, let's see what has happened to prices of things that farmers buy. The official index figure that represents the over-all average of these prices averaged just 125 during the years 1935-39. For January 1953 this index measure was 282, or 2 1/4 times as high as in 1935-39. Keep this 2 1/4 increase in prices of things farmers buy in mind for comparison with increases in prices of farm products.

For the five crop marketing years ending with September 1939, the average Illinois farm price of corn was 68 cents a bushel. The average price for January 1953 was \$1.48, or nearly 2 1/5 times as high as in the five prewar years 1935-39. The buying power of a bushel of corn was 4 percent lower in January than it was in the average of the years 1935-39. The last crop of corn marketed before World War II (the crop of 1938) brought only 45 cents a bushel.

(Continued on other side)

(Continued from other side)

Prices for soybeans averaged 83 cents a bushel from '35 to '39. The January 1953 price was \$2.78, or 3 1/2 times the average price in '35-'39. Wheat brought an average of 83 cents a bushel for the last five years of the 1930's. In January the price was \$2.10, or 2 1/2 times the earlier average. Oats in January cashed for 81 cents a bushel, or about 2 1/2 times the average of the 1935-39 prices.

In January of this year, prices received for hogs averaged \$18.30 per hundred pounds. This was 2 1/7 times the 1935-39 average. The average price for beef cattle in January was \$22.00 against an average of \$7.58 for 1935-39. The January price was almost three times the average price of the earlier years.

Milk brought around \$4.25 a hundred pounds in January against only \$1.68 in 1935-39. The January price was more than 2 1/2 times the 1935-39 average. Butterfat sold for 63 cents a pound in January compared with 27 cents in the 1935-39 years. The January quotation is 2 1/3 times the average for the earlier years.

Chickens brought 27 cents a pound in January against 15 cents in 1935-39. This put the January price at 1 4/5 of the 1935-39 level. In January 1953, eggs brought Illinois farmers 39 cents a dozen compared with 17 cents in 1935-39. The price for January amounts to a little more than 2 1/4 times the 1935-39 average.

But prices tell only part of the story. Farmers had over 40 percent more to sell from 1952 production than they had in the 1935-39 years, when extreme drouth cut production and sales volume.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Acting Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-2/53-9,238
PERMIT NO. 1217

ILLINOIS FARMERS' OUTLOOK LETTER

For release week of February 23, 1953

MORE HAMBURGER, BUT NO INCREASE IN TOTAL MEAT THIS YEAR

There is more hamburger on the hoof on United States farms than ever before. And it is headed for the nation's frying pans this year and in the years to come. This is one reason why cattlemen are jittery.

The United States Department of Agriculture counted bovine noses on January 1. Reporting recently, the department said that it found 93.7 million head of cattle and calves on farms and ranches. That figure compares with the previous record of 87.8 million established the year before and with a 10-year average of 80.5 million.

Some cattlemen are miffed at this report. They say that the government officials never actually counted the cattle and that their estimate is far too high.

The agriculture officials do not claim to have made an actual count, but they will do it if the taxpayers want to foot the bill. Their estimates are based mainly upon questionnaires completed and sent in by many thousands of farmers. These figures are checked against property tax assessors' annual reports and against the count made every five years by the Bureau of the Census. After the last census was made in 1950, the Department of Agriculture estimates were found to be correct within two percent.

Several facts seem to support the Department of Agriculture figures that show a large build up in cattle numbers in the past four years. One of these facts is that the slaughter of cattle and calves for meat has been very low since the last census. The average annual slaughter for the years 1950-1952 was only 27.5 million. This was only 31 percent of the number of cattle and calves on farms at the beginning of 1950. Normal annual slaughter is near 39 percent of the number at the beginning of the year. The unusually low percentage rate of slaughter indicates that farmers were keeping back a larger than usual proportion of their young stock.

(Continued on other side)

(Continued from other side)

While more beef looks like a sure bet, the total supply of meat for this year might be no more, or perhaps even less, than it was in 1952. This is because the prospective increase in beef supplies may be about offset by a decrease in pork. The Department of Agriculture recently estimated hog numbers on January 1 at only 54.6 million head. That was 14 percent less than the year before, 13 percent less than the 10-year average, and the smallest number since 1948.

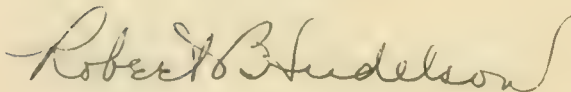
This inventory checked reasonably well with the fall pig crop report, which showed fall farrowings down 11 percent from 1952. At the time the pig crop report was made, United States farmers expected to cut 1953 spring farrowings 15 percent under 1952 and 23 percent under 1951. (Farmers in Illinois and Iowa, with plenty of corn, planned to cut farrowings less than average.)

The total supply of meat (beef, veal, pork, lamb, and mutton) was about 145 pounds per person in 1952, but it may be only 141-142 pounds this year, according to recent calculations by the United States Department of Agriculture. With the nation's workers receiving record high incomes, this moderate supply of meat seems likely to find good markets.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Acting Director

Free--Cooperative Agricultural Extension

Work. Acts of May 8 and June 30, 1914

Ill. EE278-2/53-9,325

PERMIT NO. 1247

ILLINOIS FARMERS' OUTLOOK LETTER

For release week of March 2, 1953

BLUE STOCKMEN, IN THE RED?

The U.S.D.A. annual report of livestock and poultry on farms always contains much of interest, especially to livestock producers. This year the report indicates that stockmen are feeling pretty blue, perhaps on account of being in the red.

"Weighing" all classes of livestock together to get an over-all figure shows that the total livestock and poultry on farms increased 1 percent during 1952. The total value of the livestock and poultry on farms January 1 was reported at \$14.9 billion, down 24 percent from the record high of \$19.6 billion reported just a year before.

Biggest changes in livestock numbers during 1952 were in hogs and beef cattle. Hog numbers dropped 14 percent, while beef cattle increased 9 percent.

ALL CLASSES OF BEEF CATTLE SHOW SIMILAR INCREASE. Beef steers one year old and over numbered 9,074,000. This number is 9 percent more than was reported the year before and 30 percent more than the figures for 1950 and 1951.

Beef calf numbers (both sexes) also showed an increase of 9 percent from the preceding year. The total was nearly 17 million head. Comparable figures for previous years are: 1952, 15.6 million; 1951, 14.3 million; and 1946-50 average, 12.5 million.

Beef cow numbers were checked in at 22.5 million head at the first of this year. This is the third beef cattle figure to show a 9 percent increase in 1952. Compare it with the average of only 16.1 million beef cows kept in 1946-50.

Beef heifers were estimated at 6.4 million head. Heifer numbers were up 8 percent from the year before and up about one-third from the 1946-50 average.

POPULATION GROWTH MUCH SLOWER. The government report on livestock numbers did not show the number of people on farms and cities, but folks often ask about the increase in

(Continued on other side)

(Continued from other side)

population when we are discussing the build-up in cattle numbers. Our human population is increasing at a steady 1 1/3 percent per year, or about 7 percent in five years.

Several people have asked whether the drouth last year did not force a big liquidation of cattle. It did not. Total slaughter of cattle and calves in 1952 was 8 percent larger than in 1951, but was smaller than in any other year since 1943.

Every state in the Union except Texas showed an increase in total cattle numbers in 1952. Texas showed no change. Increases in the eight South Atlantic States averaged 9 percent. The highly important North Central region (Ohio to Kansas to North Dakota and the states between, 12 in all) reported an 8 percent increase. Every other region had an increase of 5 percent for the year.

FIRST INCREASE IN 8 YEARS FOR MILK COWS. Milk cow numbers were figured at 24 million head on January 1. This shows an increase of 3 percent during 1952, but is the first increase since 1945, when milk cow numbers were nearly 28 million head. Numbers of heifers and heifer calves being kept for milk increased by 4 and 6 percent respectively in 1952.

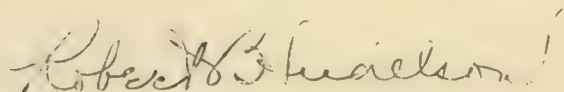
Sows and gilts on farms January 1 were estimated at nearly 8.3 million head, or 14 percent less than the year before. This reduction reflects farmers' plans to cut hog production again this year. Hogs under six months of age were reported at 30.8 million head, down 12 percent from the year before. This reduction forecasts correspondingly smaller marketings than last year from March through June.

L. H. Simerl

Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-3/53-9,400
PERMIT NO. 1247

ILLINOIS FARMERS' OUTLOOK LETTER

For release week of March 11, 1953

1953 FARM INCOME EQUALS 1952 LEVELS

Farmers' income so far this year (January and February) is as large as it was in the corresponding months a year ago. This information comes from the Bureau of Agricultural Economics of the U. S. Department of Agriculture. The figures are reported in the regular publication on "The Farm Income Situation" released late in February. Here is what the report says:

PRELIMINARY MONTHLY ESTIMATES, 1953

Cash receipts in January

Farmers received about 2.7 billion dollars from marketings in January, 12 percent less than in December but practically the same as in January 1952. Prices averaged only 1 percent below December, but marketings were down seasonally. Compared with January a year ago, lower average prices were about offset by a larger volume of sales.

January receipts from livestock and livestock products were 1.4 billion dollars, 7 percent under December and 6 percent below January of last year. Crop receipts were 1.3 billion dollars, down 18 percent from December but 14 percent above a year ago.

Cash receipts in February

Total cash receipts from farm marketings in February are tentatively estimated at 2.0 billion dollars, 24 percent below January and about the same as in February 1952. Livestock receipts are estimated at 1.2 billion dollars, down 14 percent from January and 11 percent below a year ago. Crop receipts of 0.8 billion dollars are down a third from the previous month but about 25 percent above February 1952. The declines from January are of a seasonal nature, partly because of fewer marketing days in February.

Study of the report quoted above indicates that increased receipts from crops have about offset the decline in receipts from livestock. This, of course, does not balance the books for many farmers who have lost money on the traditionally speculative business of feeding beef cattle.

(Continued on other side)

(Continued from other side)

FARM BUYING POWER While we are on the subject of farm income, let us look at it from another angle. The official report previously mentioned shows that farmers received about 4.7 billion dollars for the two months. What about the buying power of this money? For the answer to this question we turn to another official publication, "Agricultural Prices," released February 27. This report shows that prices of things farmers buy averaged about two percent lower during January and February than they did in the like months a year ago. In other words, the buying power of the farmers' dollar has been two percent greater so far this year than it was in 1952.

Therefore, with farmers receiving about as much cash during the past two months as they did during the same period last year and with prices of things farmers buy down about two percent, farm buying power so far this year has been about as large as it was a year before.

This is not a forecast for the remainder of the year. However, we may note that a daily index of prices of basic commodities has trended upward since mid-February.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Robert B. Hudelson

Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

Ill. EE278-3/53-9,425

PERMIT NO. 1247

ILLINOIS FARMERS' OUTLOOK LETTER
Prepared March 18, 1953

CATTLE PRICES AND BEEF IMPORTS

The beef cattle situation continues to be the number one topic of interest among stockmen. The main concern is prices--low prices.

The bulk of beef steers sold recently at Chicago for \$20 to \$23 per hundred pounds. In 1951 and 1952, corresponding prices were \$32 to \$36.

The latest official report (February 15) showed average prices of beef cattle to be equal to 89 percent of parity. The report for March may show a little lower figure, probably about 85 percent.

This is a strong contrast from one and two years ago. In March 1952, prices of beef cattle averaged 130 percent of parity and in March 1951, 151 percent.

What is the big reason for this come-down? The main reason is that farmers have been sending more cattle to market. They marketed 10 percent more beef in 1952 than in 1951. And so far this year they have sent 12 percent more cattle to the 20 major markets than they did in the same time a year ago. That makes a total increase of nearly one-fourth in two years.

What about the increase in population? That has been only 3 percent in two years.

What about beef imports? Especially the beef from New Zealand? It made a lot of headlines but probably did not have a big effect in lowering prices. Altogether about 60 million pounds of this beef were brought into the United States. That would be a lot of beef to have in one place, but it is not so much in comparison with what U.S. farmers produce and sell. In 1952 U.S. farmers produced and sold 9,341 million pounds of beef (dressed weight). This is 155 times as much as was shipped in from New Zealand.

Here is another way to look at beef supplies: Look back to December. That is when the market hit the toboggan. In December the production of beef from U.S. cattle was 857 million pounds--157 million

(Continued on other side)

(Continued from other side)

pounds more than was produced in the same month a year before. Thus the increase for this one month alone was more than double the total amount of beef brought in from New Zealand.

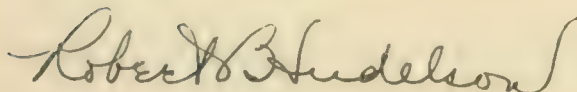
The point is that beef imports were not the main cause of the decline in cattle prices. In fact, total beef and veal imports were smaller in 1952, when the New Zealand beef came in, than in either of the two previous years. Imports by years were as follows: 1950 = 322 million pounds; 1951 = 458 million pounds; and 1952 = 275 million pounds. You will note that the most beef was imported in 1951, the year in which U.S. prices were highest.

To this observer it appears that the two biggest causes for the drop in cattle prices were (1) increase in marketings of cattle and (2) too rigid retail meat prices. Marketings may ease up this spring, but the trend in supplies will be upward for the next few years. Retail prices seem to have been loosened up, and we can hope that the retail trade will do a better job of pricing and selling meats in the future than they did in December and January. Two other important factors that will support the cattle market for the rest of this year are (1) a cut of 12 to 15 percent in pork supplies and (2) a little more money in consumers' pocketbooks because of wage increase.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-3/53-9,425
PERMIT NO. 1247

ILLINOIS FARMERS' OUTLOOK LETTER

Prepared March 23, 1953

PRICES ADVANCE FOR FORTY DAYS

Commodity prices made an unusually strong advance during the late winter. The upturn began on February 10 and so far has carried through for 40 days. During this period the index of spot commodities has risen from 165 to 173. A companion index of futures has gone up from 162 to 167. (In both of these indexes 1924-26 prices = 100.) Prices of agricultural products figure heavily in these indexes.

This general strength in markets has been overshadowed by more spectacular news, such as the decline in prices of cattle, and national and international political developments.

No one can tell whether prices will continue steady to higher or whether they will resume the downward trends of 1952. There are, however, several facts in the recent market situation that some farmers may have overlooked.

Most of the price declines of 1952 were probably caused by increased production and not by a falling-off in demand. Farm output in the U.S. reached new record highs in 1951 and again in 1952. Agricultural production in 1952 was 4 percent greater than in 1951, 8 percent greater than in 1950 and 45 percent greater than in 1935-39.

Cattle marketings have been especially heavy since December 1. In this past December, slaughter of cattle under federal inspection was 25 percent greater than in December 1951. January slaughter showed an increase of 16 percent and February, 19 percent, over corresponding kills of the year before. Such large increases in marketings and slaughter are almost always accompanied by big cuts in prices.

The principal apparent weakness in the demand for cattle was provided by the farmers themselves. For example, in January and February 1952 they spent 31 million dollars for feeder cattle at eight principal markets. In the same month of this year, they spent only 14 million dollars at these same markets.

(Continued on other side)

(Continued from other side)

Markets for milk and butterfat have been soft this winter. Here, again, increased output is a major cause of lower prices. Milk production in recent months has run 7 to 8 percent higher than it was a year before. This increase is three or four times the increase in population.

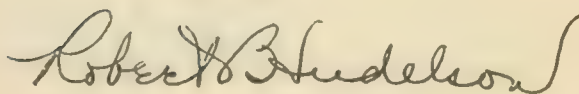
Farm production often rises for two years and then drops back. We have already seen two years of increased output, and 1953 production may not be up to the record set in 1952. If not, it will take some of the downward pressure off prices of farm products.

Consumer buying power is at a record-high level, and both employment and wage rates appear to be increasing. With this situation, any unfavorable growing conditions this year would have a considerable amount of price-firming influence.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-3/53-9,515
PERMIT NO. 1247

ILLINOIS FARMERS' OUTLOOK LETTER
(Prepared March 30)

PRICE READJUSTMENT NOT CAUSE FOR DEPRESSION

Will declining prices for farm products cause a general depression? This is a question that is worrying many farmers. Most economic research workers say, "No, declining prices for farm products do not cause depressions. Depressions are caused by a contraction of the supply of money or credit, or by reductions in spending for new plants, equipment, and housing."

Economic research workers recognize the fact that farmers are important businessmen. They know that when a farmer spends money for a tractor or an automobile, or builds a house or barn, it provides employment for city workers. They know, too, that when farmers become alarmed and cut down on their spending, fewer people will be employed in making things for farmers.

Research economists see farmers as businessmen, and each dollar spent by farmers as doing as much work, but no more, than a dollar spent by any other businessman. But biggest changes in spending in the United States are made by non-farmers. Therefore, non-farmers contribute more to depression-prosperity swings than do farmers.

How does this jibe with the idea that "Depressions are farm led and farm fed?" It doesn't. This slogan has been popular with political speakers before farm audiences. It is not a proved principle of economics.

HOW DEPRESSIONS START. Many long-time students of economics believe that all major depressions are started by a contraction of the money supply. Dr. Clark Warburton recently expressed this view. He is employed by the Federal Deposit Insurance Corporation, which insures bank deposits. Dr. Warburton has spent several years studying the effects of banking and monetary policies upon prosperity and depression. His studies cover the past 150 years. His conclusion:

"....there appears to have been no depression....that did not start with a contraction of the money

(Continued on other side)

(Continued from other side)

supply, or with policies of credit restraint leading to monetary contraction and falling prices."

OVER-ALL PRICE STABILITY POSSIBLE. Concerning the future outlook, Dr. Warburton says (paraphrased): "If proper monetary policies are followed, we can have a fairly stable price level and no great business depression." He does not, of course, promise that the nation will adopt and carry out proper monetary policies. He does argue, however, that except for the inflation growing out of the Korean war, the price level in the United States has been relatively stable during the past six years. This relative stability, he believes, is the result of the anti-inflationary policies followed by the federal government since mid-1947.

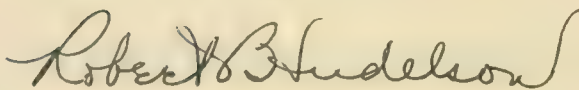
True, there have been many price changes since 1947. But most of them were necessary adjustments to put different prices in more normal relation to each other. The decline in prices of farm products and the rise in prices of things farmers buy were changes of this kind. There is no good reason for believing that such price readjustments will cause a general depression, although one may come sometime during the next few years.

The next depression, like those before, will probably come when credit is restricted, or when there is a cut-back in spending for new factories, industrial equipment, stores, and houses. Farm spending will probably be reduced at the same time, and this will aggravate the recession. Any cut-back in government spending will be deflationary, too, but it can be offset by reducing taxes and thus leaving the taxpayers more dollars to spend.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914
III. EE278-3/53-9,515
PERMIT NO. 1247

ILLINOIS FARMERS' OUTLOOK LETTER

Prepared April 6, 1953

WHAT'S AHEAD - PROSPERITY OR DEPRESSION?

"Peace talk" has brought renewed weakness in prices of some commodities that has caused farmers to raise some questions about general business prospects. A review of some facts about recent and current conditions may throw some light on what lies ahead.

First, the nation's economy has been operating under high-pressure stability for more than a year. The high-pressure aspect is shown by the high level of industrial production and the very high level of employment. With jobs for everyone who wanted to work, there has been and still is little opportunity for increasing our output.

Although output has been very high, the general price level has shown little change. Moderate declines in prices of farm products and in average wholesale prices have been about offset by increases in retail prices of nonfood items and by advances in charges for many services.

Looking ahead, one can see several possible sources of price weakness and business recession. On the other hand, there are some strong forces that will help to prevent a recession.

"Peace" in Korea no doubt would create at least temporary caution on the part of many businesses and individuals. Planned expenditures for defense might be trimmed.

Consumer credit is extended further than ever before. At the end of February, consumers owed 23.5 billion dollars, $3 \frac{1}{3}$ times as much as in 1939. And credit agencies report that collections are slower than they were a year ago.

Another pessimistic possibility is that the housing boom might be muffled. Consumers make their greatest contribution to boom-bust swings by changing their outlays for new houses. They have been buying new houses at the rate of over a million a year since the end of World War II, and needs for new housing are much less acute than they have been.

(Continued on other side)

Finally, federal government monetary policy is firmer than it has been at any time during the past 20 years. Moves toward higher interest rates mean tighter credit, and any reduction in credit supplies would slow business activity.

On the other side of the present situation, there are important forces that are supporting and that will tend to support business activity in the months ahead. For example, a truce in Korea would not assure real peace in the world. The basic conflict between communism and democracy is deep and long lasting, like those over religion and slavery. It will not be settled by the signing of a truce or a treaty. Planned expenditures for defense may be reduced somewhat, but total government outlays in 1953 will probably exceed those of 1952 and will continue at a high level indefinitely. If federal expenditures are reduced materially, taxes will probably be cut so that taxpayers will have more money left to spend as they wish.

While outstanding consumer credit is large, it is no greater in relation to consumer incomes now than it was in 1939. A recent survey of consumers' intentions showed that they planned to spend more for housing, automobiles, household appliances, etc., this year than they did last year.

Another survey revealed that corporations plan to spend slightly more for new buildings, plants, and equipment this year than they did in 1952.

And, finally, while the present administration has committed itself to tighter credit and harder money, it is also firmly committed to the maintenance of national prosperity, including good markets for farm products.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-4/53-9,515

PERMIT NO. 1247

ILLINOIS FARMERS' OUTLOOK LETTER
Prepared April 15, 1953

BIGGER MILK OUTPUT OFFSETS LOWER PRICES

Dairymen, like most other farmers, have been touched by price declines during the past several months. Much of the decline in price has been caused by increased supplies. But because dairy farmers have had more to sell, their income has not been reduced so much as the drop in prices would indicate.

Take the first three months of this year for comparison: Prices received by farmers for milk averaged \$4.65 a hundred pounds, down 10 percent from last year. Butterfat averaged 67 cents a pound, down 19 percent.

In these three months, milk was produced at an estimated rate of 123 billion pounds per year. That is 8 percent more than in the same months of 1952. Milk and cream checks for the three months this year totaled about 4 percent less than for the same period a year ago.

Dairymen produced more milk this past winter than in any previous winter season. Farmers milked more cows and produced more milk per cow.

The increase in number of cows milked probably can be traced to unsatisfactory returns from beef cattle in the past two years. The higher output per cow was brought about in part by better feeding and care, but also by the mild winter in many parts of the country.

Milk production this summer will be greatly influenced by pasture conditions. Serious drouths in important producing areas could hold production to relatively low levels.

Retail prices of milk have not been trimmed much, if any. In fact, prices are higher in some cities. However, prices for most other dairy products are lower, and the production of these products has increased.

(Continued on other side)

(Continued from other side)

In February, for example, production of dry milk without fat for human food was 80 million pounds, up 63 percent from the previous year.

Production of butter has been running about one-fourth higher than it was a year ago. Output of cheese shows a similar increase.

In February the output of margarine was 113 million pounds against 103 million pounds of butter. A year earlier, margarine output was 114 million pounds compared with 79 million pounds of butter.

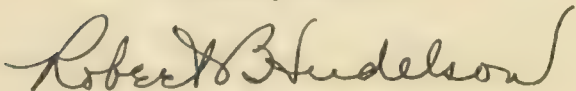
At the first of March, storage stocks of dairy products were equivalent to over 5 billion pounds of milk. That was a record high for that time of the year, and about 2 1/2 times as much as we have had on hand in most years since World War II.

For the first three months of this year, the government purchased butter and other dairy products in an amount equal to around one-tenth of total milk production. Thus most of the increased production this past winter has gone into government stocks purchased for price support. This price support program furnishes some temporary benefit to the market, but the accumulation of stocks in warehouses builds up future supplies while current prices for dairy products encourage the development and use of substitutes.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-4/53-9,770
PERMIT NO. 1247

Market supplies of beef cattle will continue large for the next few months. This prospect is evident from the quarterly report of cattle on feed issued recently by the USDA Bureau of Agricultural Economics.

The report showed that on April 1 farmers in 11 Corn-Belt states were feeding about three million cattle--19 percent more than were reported the year before.

In most areas outside the Corn Belt the increase is not so pronounced. USDA statisticians figure total cattle on feed to be 12-14 percent over a year ago. The increase shown last January was 16 percent.

The report also shows these other important facts:

1. Most of the increase in cattle on feed consists of calves and other light-weight stock. On April 1 farmers in the Big Three States--Iowa, Illinois and Nebraska--were feeding about 563,000 head weighing under 600 pounds. This number is 63 percent more than was listed a year ago, and it is 25 percent of all cattle on feed in these three states.

2. In the Big Three States all of the increase was represented by cattle that had been fed for more than three months. Farmers listed 1,547,000 head on feed 3 to 6 months compared with 1,188,000 a year before (a 30 percent increase). They reported 132,000 head on feed for more than 6 months compared with only 78,000 last year (about a 69 percent increase).

3. Farmers apparently plan to market a larger share of their cattle before July 1 than they did last year. Corn-Belt farmers who reported said they expected to ship 46 percent before July compared with only 42 percent a year ago.

(Continued on other side)

(Continued from other side)

With the larger number of cattle in feedlots this year, marketings from these 11 states from April 1 through June 30 may be about one-third greater than for corresponding months last year. This prospective increase is slightly greater than that actually recorded for the first three months.

4. Feedlots contain a bigger proportion of she-stock than they did a year ago. This fact indicates a reduction in demand for breeding stock and probably in rate of increase in breeding herds. On April 1 farmers in the Big Three States were feeding 294,000 heifers, 35 percent more than a year before.

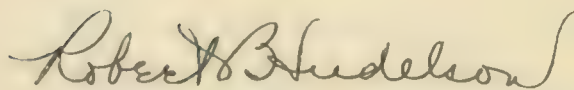
5. Stockers and feeders shipped into nine principal Corn-Belt states from January 1 to March 31 totaled 403,000 head--about 13 percent less than last year. Average costs were about \$21.00 per hundred pounds--down 30 percent from last year.

6. Illinois farmers have not increased their cattle-feeding operations so much as have farmers in most other Corn-Belt states. On April 1 farmers in Illinois were feeding only 12 percent more cattle than they were feeding the year before. By comparison, increases in some other states were: Nebraska 35 percent, and Iowa, Missouri and Indiana each 20 percent.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-4/53-10,050

PERMIT NO. 1247

Marketings of cattle reached panic proportions in April. For the first three weeks, slaughter at major markets was reported to be up 44 percent from the year before. Marketings and slaughter continued near this level for the rest of the month.

Marketings of calves were almost equally high in comparison with 1952. Slaughter was up 38 percent for the first three weeks.

These very high rates of marketings point either to (1) a cutback in market supplies later this year or (2) a substantial reduction in numbers of cattle on farms.

When this year began, farmers and ranchers had 93.7 million head of cattle and calves, according to official estimates. A normal yearly slaughter from such a herd is about 38 percent. In actual numbers that is 35.6 million head, or about 28 percent more than was slaughtered in 1952. If slaughter increases more than this, it will bring about a corresponding reduction in numbers on farms.

The average rate of slaughter for the five months ending with April was about 24 percent over corresponding year-earlier levels. However, the December-March increase was only 24 percent compared with over 40 percent for April. If slaughter continues to show a 40 percent increase over 1952 figures, cattle and calf numbers will be reduced by two or three million head this year.

Big marketings of cattle during April-May-June were indicated by the USDA report of cattle on feed April 1. It showed that corn-belt cattle feeders were planning to market 30 to 40 percent more cattle during this period this year than they did in 1952.

When the rate of slaughter jumped last winter, prices had to be cut sharply in order to sell the additional beef. Recent prices for slaughter steers were 40 percent lower than prices of two years ago.

(Continued on other side)

(Continued from other side)

Many cattle feeders believe they were victims of bad luck in being caught in this price drop. Actually they sent this avalanche of beef to market at a very advantageous time. It is fortunately timed from two standpoints: (1) it comes when pork supplies are sharply reduced, and (2) it comes when employment and consumer buying power are at all-time high levels. Without these two supporting influences, prices would have been much lower.

Pork supplies will become smaller until the first of the spring pigs are ready for market in August. Late summer and early fall supplies figure to be around 10 to 15 percent less than last year. Marketings during the late fall and early winter will probably show less reduction.

Consumer demand seems likely to remain fairly strong for several months. Moderate unemployment seems likely to develop in a few industries, but most of them are headed for a good year.

Some lay-offs may be made in the industries producing transportation equipment--autos, trucks, railroad cars and locomotives. Defense spending seems likely to level off, but not to be reduced.

Employment on big construction jobs will be large this summer and next fall. This is indicated by the volume of contracts awarded for big construction jobs. From January 1 through the third week in April, such contract awards totaled over five billion dollars, or one-fourth more than last year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

Ill. EE278-4/53-9,850

PERMIT NO. 1247

Farm price supports are building up troublesome stocks of farm products. Among the products piling up are corn, wheat, cotton, cottonseed oil and butter. Recent government reports on grain stocks help to point up some of the problems that are involved.

On April 1, stocks of corn in the United States totaled 1,808 million bushels. In twelve months the supply increased by 296 million bushels, or nearly one-fifth. April 1 stocks were larger this year than in any year before World War II, as well as in any subsequent year except 1949, 1950 and 1951.

Stocks have built up something like this twice before--in 1932-1933 and 1937-1940. The first stock-pile was used up during the severe drouth of 1933-1936, and the second was used during the inflated wartime demand for food.

Of the corn on hand this past April 1, 1,466 million bushels were on farms; 231 million bushels in storage, owned or controlled by the Commodity Credit Corporation; 74 million bushels in interior mills, elevators and warehouses; and 37 million bushels, commercial stocks in storage at 44 terminal cities.

Total United States corn crops of the past 10 years have averaged about three billion bushels. About 90 percent is fed to livestock. Support prices tend to restrict the amounts used for livestock feed.

Stocks of wheat on hand April 1 were 840 million bushels. This supply is the second largest ever listed, being exceeded only by the 896 million bushels reported on April 1, 1943. Stocks this year are 323 million bushels, or more than three-fifths, over the 1952 figure.

(Continued on other side)

(Continued from other side)

Twice before, price supports built up burdensome stocks of wheat. The Federal Farm Board program did it in 1930-32, and the AAA repeated in the late 1930's. As happened with corn, extreme drouth solved the surplus problem the first time, and war did it the second time.

Although poor in certain areas, the 1953 wheat crop is generally good. The winter wheat crop is forecast at over 700 million bushels, and spring wheat may add another 300 million.

United States' needs for wheat for human food average around 500 million bushels a year. Seed takes another 85 million. This makes total average annual needs of no more than 600 million bushels. Production in excess of this amount goes for animal feed and export. In most years from 100 to 200 million bushels are fed to livestock, but in one year during World War II over 500 million bushels were dumped into feed troughs. In most years since the war, exports have taken 300 million bushels or more.

Price supports probably do not reduce the amount of wheat used for food or seed in this country, but they can and do restrict exports and limit the use of wheat for feed and export.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-5/53-9,850

PERMIT NO. 1247

Prices of Illinois farmland have slipped a little. Farmers have been saying that the market was off a bit. Now a government report shows that the average slid off two percent during the four months ending with March. This small decline still leaves prices two percent higher than they were in March a year ago.

The level reported for Illinois land values in March was a third higher than that reported for 1949, before the inflation that followed intervention in Korea. The average price for March was 2.8 times as high this year as in 1940.

Are present Illinois farmland prices too high? Time alone will provide the only certain answer. However, these latest land values are five to ten percent higher than average in proportion to prices of products produced on the land.

Neighboring states show divergent trends in land values. The March figure for Iowa is five percent below November and two percent lower than March 1952. Missouri reports a three percent rise from November to March to offset a previous drop of three percent from March to November. Indiana prices went up one percent from March to November last year, but have shown no definite change since then.

For the United States as a whole, the average dollar value of farmland rose two percent from March to November last year and then slipped off one percent up to March of this year.

Land values have been weakest in the western half of the United States. They continued upward to March in the states east of the Mississippi River and south of Kentucky.

According to the USDA report, the average price for Illinois farmland in March was \$226 an acre. That figure looks very low in comparison with many sales of good land reported above

(Continued on other side)

(Continued from other side)

the \$400 level. It may, however, serve as a basis for comparing relative price levels in different states.

At \$226 an acre, average Illinois farmland values rank far above those of any other important agricultural state. The Illinois quotation of \$226 compares with Iowa at \$191, Indiana at \$180, Missouri at \$82 and Wisconsin at \$105.

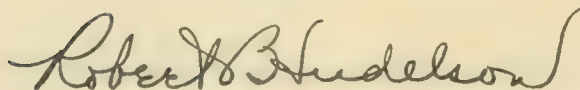
Only three states report a higher figure than Illinois. All of them are small eastern states densely populated areas. They include New Jersey with \$352 an acre, Connecticut with \$277 and Rhode Island with \$255.

The total value of farmland in Illinois is estimated by the USDA at just over seven billion dollars. This is the second largest total among the 48 states, being exceeded only by Texas, which claims a total valuation of 8.4 billion. In this line-up California ranks third with 6.7 billion dollars, and Iowa is fourth with 6.6 billion.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-5/53-9,850
PERMIT NO. 1247

The livestock situation is the basis for many farmer conversations these days. Talk centers around the record-large slaughter of cattle and the good prices for hogs.

Cattle slaughter has made several new records this year. (Some people think such information should be kept secret, but we believe both farmers and the rest of the people are best served by giving them the facts.)

In April, 1,371,434 head of cattle were slaughtered in federally inspected plants. This slaughter broke the previous record set in April 1947 by 14 percent and was 46 percent more than for April last year.

The figures on federally inspected slaughter are accurate, actual counts. Therefore, they are a good measure of what is going on in the livestock business.

Cattle slaughter during the first four months of this year also set a new record. The number was 5,154,411, which is 30 percent more than in April last year.

In May, the slaughter rate continued to run about 40 percent over corresponding 1952 figures.

(That reminds us--a friend asks, "What's become of all them fellers who were sayin' that the Gov'mint was overestimatin' the number of cattle on farms and on feed?")

There are indications that marketings will continue high through June. A recent government report showed that Iowa farmers expected to market half again as many cattle this June as they did a year ago.

Later this summer, high-level marketings may be maintained by heavy marketings of calves bought last fall. The April report of cattle on feed showed a substantial increase in calves on feed, and we have heard several feeders talk about getting their cattle in "ahead of the crowd" this fall.

(Continued on other side)

(Continued from other side)

Recent prices for hogs have been at or near record-high levels for this time of the year. The good prices have been due in part to reduced supplies, but strong demand has also helped to boost the market.

Hog slaughter was only about one-eighth less in April and May than in the preceding year. The supply during these months this year has been exceeded only a few times. This indicates that April-May prices were based on strong consumer demand for pork, and were not forced by any exceptional scarcity. The strength of the hog market becomes even more impressive when one considers the low prices for lard and the very large supply of competitive beef.

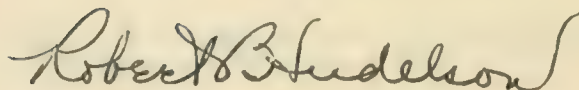
Hog marketings seem likely to remain 10-15 percent below year-earlier levels for another six months. However, a near-normal seasonal increase in supplies will begin around August 1. This probably will bring price declines of about 30 percent by late fall. By that time prices may be back to near corresponding 1952 levels.

Prices during the late fall may approach last year's lows because the smaller supply of pork in prospect is likely to be more than offset by larger supplies of beef. Another condition that is taken into consideration is the possibility that there will be little or no increase in consumer demand this fall. Some workers may get pay increases, but some industries may have offsetting layoffs. This would be in contrast with last fall, when consumer buying power was increasing.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-5/53-9,900

PERMIT NO. 1247

Average prices of farm products have not changed much since the new tenant moved into the White House. The average for May was slightly less than one percent lower than in February, the first month under the new administration.

Average prices of things farmers buy have eased off a fraction, too. The result is that prices received by farmers in May averaged 94 percent of parity---the same as in February.

Compared with a year earlier, average prices received by farmers in May were down 11 percent. Average prices paid by farmers were down 4 percent from the all-time high recorded 12 months before.

Most of the decline in prices of farm products that occurred during the past 12 months came between September and February. There seem to be three major reasons for this decline: (1) Unusually large crops were harvested last fall, (2) marketings of cattle increased greatly after November, and (3) the export demand for farm products has decreased considerably.

Consumer demand for food increased during the year, but not enough to keep prices at the levels established by previous inflation.

Two highly important crops showing big increases in production in 1952 over 1951 were corn, 15 percent, and wheat, 32 percent. Production of soybeans, cotton, and tobacco was also much larger than average, although not larger than in 1951.

Total agricultural production was 3 1/2 percent larger in 1952 than in 1951 and 45 percent greater than in prewar 1935-39.

Looking ahead, United States Department of Agriculture economists see no big increase in farm output this year. In fact, early spring indications were that farm production this year might be shaved about one percent.

(Continued on other side)

(Continued from other side)

These changes in total production appear to be very small, but they are important. The usual change in output is a small increase, about two percent a year.

If total farm output shows no increase, or declines slightly, this year, that will tend to support average prices received by farmers for their products.

Crop prospects appear less favorable than they did a year ago. Spring drouths were more extensive and more severe than in 1952. In Illinois, and probably in other states, insects are doing more damage than they did last year.

Important Illinois farm products showing lower prices in May than for a year before were corn, down 14 percent; wheat, down 3 percent; beef cattle, down 30 percent; and milk and butterfat, down 10 percent.

Prices of two important Illinois farm products were sharply higher in May of this year than last: Hogs were up 20 percent and eggs up 35 percent.

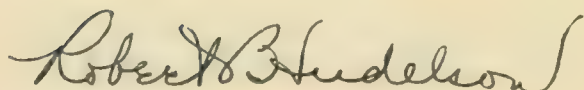
Prices for soybeans showed little change from May 1952 figures.

In general, the price changes noted above are closely related to changes in relative supplies.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

III. EE278-6/53-9,900

PERMIT NO. 1247

Many farmers and other businessmen are growing more apprehensive about the economic prospect. The truce developments in Korea have added to their fears.

Time alone will reveal what is ahead for us. The reason is that actual developments will depend upon many personal, corporation, and government decisions that have not yet been made. Nevertheless many management decisions must be made on the basis of good, or poor, guesses as to future prices, employment, sales, etc. Perhaps a review of some of the basic facts about our economy will make better decisions possible.

1. It is possible, that the feeling of caution that has prevailed generally among farmers and other businessmen in recent years is a good thing. It may have served to prevent excessive speculation and expansion that could have been followed only by serious recession and depression. If our expansion has been cautious, recessionary tendencies will be less pronounced.

2. The past nine months have been a period of unusually high-level activity and stability. Prices of raw materials, including farm products, have worked lower, but there has been little change in average retail prices. Almost everyone who was able and willing to work has had a job. Most manufacturers have operated at full capacity and have been able to sell all they produced. The purchasing power of farm products has averaged above normal. These much-desired conditions are unlikely to prevail for any long-continued period.

3. The boom of the past three years (since Korea) was created and has been sustained largely by borrowing by individuals, corporations, and local governments. Now numerous individuals and families have so many "easy payments" to make that it is difficult for them to meet their other expenses. This is a potential weak spot in our economy. On the other hand, capital expenditures

(Continued on other side)

(Continued from other side)

(for new plants and equipment) by corporations seem likely to continue high for some time, while outlays by local governments may increase.

4. Since World War II changes in business inventory policies have been important factors in determining the level of industrial activity. Any widespread policy of business inventory reduction could create considerable unemployment as it did in 1949.

5. The housing boom has been running high for seven years and probably is scheduled to slow down in some areas. Any slowing-up in business expansion would probably make more loanable funds and easier credit available for housing.

6. Federal fiscal and financial policy during the past two years has been anti-inflationary. This policy, which was appropriate for those years, may be reversed very quickly if deflation and recession threaten. However, money and credit are like wood. Wood will not make any heat unless someone throws it into the fire. In the same way money and credit do not furnish employment unless someone uses them.

7. The conflict between communistic practices and the ideals of individual freedom is very great and is world-wide. Truce in Korea will not end this conflict. New governments this year in the leading country of each side have probably helped to facilitate the truce. As these governments become older, they may encounter increasing causes for irritation.

These conditions seem to point to the need to be prepared for moderate fluctuations in business and farm income. We must be prepared to live with some uncertainty and fluctuations if we expect to enjoy the great advantages of privately owned and competitively operated industry and agriculture.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/53-9,910
PERMIT NO. 1247

ILLINOIS
FARMERS'
OUTLOOK
LETTER

WEATHERMAN CONTROLS FARM PROSPECT

URBANA,
ILLINOIS
JUNE 17,
1953

The weatherman is playing a leading role in the farm situation this year. In Illinois and surrounding states, weather during the winter and spring favored the development of many insect pests of crops. While many farmers suffered serious losses, the total destruction has not seemed to be large enough to boost market prices.

Many parts of the U. S. are suffering from drouth. Drouth areas developed earlier in more places and with more severity than last year. Some of the most severe have appeared in the Southwest and West, particularly Texas and Oklahoma.

Drouth in these states and elsewhere in the range country is forcing some cattle to market, and this may be an important factor in livestock markets for several weeks. Drouth-enforced marketings can hold down prices of both slaughter cattle and stockers and feeders. Some recent prices for feeder cattle have been around 40 percent lower than year-before levels.

Minnesota, North Dakota and other spring wheat areas have had favorable conditions for the crop. Production of spring wheat has been forecast at 362 million bushels, which would be 1 1/2 times as large as last year's crop, and 8 percent larger than the previous record crop of 1951.

Despite drouth in the Southwest, the winter wheat crop is estimated at 770 million bushels--a little less than the ten-year average of 797 million bushels. The carry-over of old wheat is officially estimated at 575 million bushels.

The total prospective wheat supply adds up to 1,707 million bushels, or about three times as much as is required in the United States for seed and food.

Weather has also been favorable for cotton production this year. Early forecasts are for more than 15 million bales, or 30 percent above the average for the ten years 1941-50. The carry-over

(Continued on other side)

(Continued from other side)

7. Wages are up sharply from last year. A recent official report showed average wages of factory workers at over \$71.00 a week, up about \$6.00 for the year. Hourly wage rates are going up again, but some workers may get less work later this year or in 1954. Fewer and smaller pay checks would mean reduced demand for food and other farm products.

8. Farm buying power has been chopped severely from the time of inflation prosperity of 1942-1948. On the other hand, farm income compares more favorably with non-farm income than in most years without inflation. In 1952 farm income was about one-third greater, in relation to non-farm income, than it was in the eight prewar years 1933-1940. A renewal of inflation would give farmers some temporary advantage, but if business slows farm income will slip further.

9. The main supports of this business boom, like others in peacetime, are big spending by business for new plants and equipment and large family outlays for new houses. When spending for these purposes drops, we will have a real problem on our hands.

10. Contrary to popular opinion, no major group or industry is fully protected against depression. Organized labor might maintain hourly wage rates, but there would be less work and total earnings would therefore drop. Some businesses could hold some prices up, but their sales would fall off and their profit margins would thus shrink or disappear. Farm income would drop too, either because of lower prices or because of reduced marketings.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-6/53-9,780

PERMIT NO. 1247

The outlook for hog producers has improved in recent weeks. Now another good year appears ahead.

Here is what makes the outlook favorable for hog producers: (1) Hog production has been reduced nearly one-fifth in two years. (2) Feed is abundant and costs are favorable to hog producers. (3) Consumers are able and willing to pay good prices for pork.

Most of the recent improvement in the hog outlook grows out of the government report on the spring pig crop. This report showed that the spring pig crop was cut 10 percent, which was about as expected. The surprise came in farmers' intentions for fall farrowings, which they said they expected to cut 5 percent under last year's figures. Private prognosticators had figured that the fall crop would be 5 to 10 percent larger than last year's.

The government estimated that farmers saved 50.7 million spring pigs this year. (For purposes of the report, all pigs farrowed from December 1 through June 30 are listed as spring pigs.)

Spring farrowings this year were 10 percent smaller than they were last year and 18 percent less than two years ago. Ordinarily such a sharp reduction in supplies would bring a price increase of around 30 percent for hogs. This year, however, hog prices are being held down somewhat by the big increase in supplies of beef.

From now until about December 1, supplies of beef will be much larger than they were a year before. Last year marketings of cattle increased very rapidly after December 1; consequently after that time this year pork may meet little or no more competition than it did a year earlier.

(Continued on other side)

(Continued from other side)

The 1953 fall pig crop is expected to total around 33.6 million head. This would be 5 percent less than last year and 16 percent less than two years before. Marketings of hogs will be reduced accordingly late next winter and in the spring.

Feed is abundant and is priced favorably for hog production. At recent prices, 100 pounds of hogs were worth 15 to 16 bushels of corn, or 4 or 5 bushels more than last year. If the new corn crop is as big as last year's, the total supply of feed grains will be greater in 1953-54 than this year. At the same time, livestock numbers will be smaller.

Demand for pork is very strong, and it promises to hold up well for at least another eight to 12 months. Population is increasing at a rate of about 1 2/3 percent per year--but, more important, consumer buying power is running 8 percent greater than it was a year ago. While a few industries may lay off workers, wage increases and big spending by corporations and Uncle Sam seem likely to keep most workers well supplied with buying power through most of 1954.

Added all together, these facts point to another good year for hog producers.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/53-9,800

PERMIT NO. 1247

Extreme drouth in the Southwest is forcing many cattle to market. These forced sales may provide cattle feeders with opportunities to buy feeder calves and yearlings, or cows and calves, at favorable prices.

The drouth is worst in the western halves of Texas and Oklahoma and in the adjoining parts of states to the north and west. Official reports from Texas say that no general rain has fallen since September 1950. Some areas of the Southwest have been suffering from drouth for four and even five years.

Pastures are burned up. Wheat and feed crops are failures. Water supplies have dwindled. Farmers' credit has been stretched to the breaking point. In at least one county more than half of the farm families have moved away.

Half or more of the sheep have been shipped out, and cattle numbers are being drastically reduced. Forced sales of cattle brought a sharp drop in prices of stockers and feeders in June. The break began about a week earlier this time than it did last year.

Recent prices for stocker and feeder cattle have averaged from \$12.00 to \$15.00 per cwt. at different central markets. Reported prices in the drouth areas range all the way from around \$5.00 to \$8.00 for stock cows and low-grade stockers up to \$12.00 to \$16.00 for best calves and yearlings. Some distress sales have been reported at even lower figures. These prices are 40 to 50 percent lower than those of a year earlier.

Even at these lower prices corn-belt cattle feeders have been slow to take on more cattle. They remember the little profits and many losses in 1951-52. And they see more and bigger losses on the cattle they have on hand now.

(Continued on other side)

(Continued from other side)

Still, cattle bought at these lower prices may make a good feeder a little money. Prices for feeder cattle have dropped more than prices of replacement stock. If the drouth is relieved, cattle marketings may be little or no greater in 1954 than in 1953. Marketings have increased to normal in recent months, and they may not increase a lot more.

Then, too, feed supplies promise to be very abundant, and probably cheaper than in the past year.

Ahead, also, are possibilities of acreage allotments and marketing quotas on wheat and corn, and these would favor increased production and feeding of roughage-consuming livestock.

On the demand side, no big depression seems likely for at least another year or so. Government has several tricks, like tax reduction, that would pep up the economy if it slows down.

Finally, the production of pork is still trending downward. The supply probably will run 10 to 12 percent below year-earlier levels until midwinter; then it will be no larger, and probably slightly smaller, than this year's supply. Reduced supplies of pork should give a little support to the cattle market.

All of these facts seem to call for Illinois farmers to watch the developing situation carefully to see what opportunities for profit it offers.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-6/53-9,780
PERMIT NO. 1247

The nation's business machine has started the last half of 1953 running about as fast as the law allows. Let's check some figures to see how things are going.

For the week ended July 4, the physical volume of business was 12 percent larger than normal. A year ago business, slowed by the steel strike, was 7 percent less than normal. This measure of business activity has a calculated "normal" that increases each year in line with population growth and industrial development. Thus normal for July 1953 is greater than for July 1952 or any previous time.

The nation's electric generators almost blew their fuses in the week ending with the fourth of July. In those seven days they spun out nearly 8 billion kilowatt hours of electricity, and that was 23 percent more than they made in the same week of last year. In the two previous weeks, electricity output was up 15 percent over 1952 figures. Output of electricity is a good measure of business and industrial activity, because it is used in one way or another in almost every commercial process.

There are many push-buttons and switches in modern factories, commercial establishments and farms. But somebody still has to be around to push the buttons and throw the switches, and maybe do a little thinking once in a while. Therefore, employment figures are good indicators of economic activity.

Latest official figures on employment, for June, showed 63.2 million people at work. This total includes both farm and nonfarm workers and self-employed persons as well as employees. The total is about the same as the revised figures for the year before, but it includes more nonfarm workers and fewer farm workers than the 1952 figures did.

(Continued on other side)

(Continued from other side)

Unemployment was down to less than 1.6 million. Some of these were school-aged youngsters who were looking, perhaps not too hard, for work. Figured another way, only one worker out of 40 was out of work. Many farmers figure that that one could get a job, too, if he wanted to work.

Back in 1932, the worst depression year, one nonfarm worker out of every three was unemployed. As late as 1939, when World War II started, one of every five nonfarm workers still had no job.

The present employment situation is very "tight." If employers generally went out to hire more workers to do more business, they would simply bid up wages and promote more inflation.

Prices of several important commodities turned upward at mid-June. Sensitive commodity prices advanced about 3 percent in the following three weeks.

Farm prices are away down from their inflation peaks, but the American working man really is providing a tremendous market for farm products.

U. S. farm production this year is nearly 50 percent greater than the prewar 1935-39 average output. And most of this production is moving to consumers at prices to farmers averaging around 94 percent of parity, compared with only 81 percent of parity for the much smaller amount of products produced before World War II.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-7/53-9,780

PERMIT NO. 1247

GOOD CATTLE MARKET SEEN
Supplies Moderating, Demand Strong

URBANA,
ILLINOIS
JULY 22,
1953

A good market for beef cattle seems to be in prospect for the next few months. The bases for this prospect are: (1) The apparent supply of fed cattle available for market is very little larger than it was a year ago; (2) the supply of pork will be considerably smaller than it was last fall; (3) consumer buying power is moderately stronger than it was last year.

Now let's check into each of these items a little further.

Supplies of fed cattle seem likely to be moderate during the remainder of the summer and throughout the fall. Best evidence of this is the very heavy marketings in recent months and the USDA report of cattle on feed July 1.

The government report indicated that U.S. farmers were feeding only "four or five percent" more cattle this summer than they were a year ago, and last year market supplies were quite small from August 1 to December 1.

The largest increase in cattle feeding has occurred in Nebraska. The cornhusker state reported 24 percent more cattle in feedlots than last summer. The number of cattle in feedlots there was estimated at 381,000 against 307,000 a year before. Reports from Illinois farmers indicated that they were feeding about 385,000 head of cattle, or four percent more than in 1952. The reports from Iowa indicated about 901,000 head of cattle on feed, or six percent more than 12 months before.

For the eleven corn-belt states cattle on feed showed an increase of eight percent over year-before figures. By contrast, feeding operations in Colorado, and probably some other western and southwestern states, were reduced 25 to 30 percent.

(Continued on other side)

(Continued from other side)

In the three most important corn-belt states (Iowa, Illinois and Nebraska) the largest part of the increase in cattle on feed consisted of heifers. Their numbers went up from 275,000 in 1952 to 353,000 this year. This shows an increase of nearly 30 percent.

Farmers' intentions were to ship a few more cattle in August of this year than they did in 1952, but to sell less in September.

This seems to indicate that market supplies of fed cattle will not be excessive during the next few months.

At the same time the supply of pork figures to be 10 to 12 percent smaller than it was 12 months before. This decrease is expected because the spring pig crop was down 10 percent and a larger proportion of gilts may be saved for breeding than in 1952.

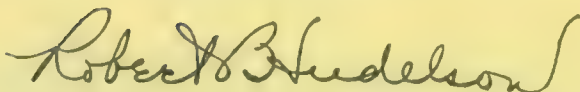
At the same time, too, consumer buying power seems likely to be around five percent greater than it was last fall. Most factories have big backlogs of orders. Cutbacks in automobile production and some other industries may be offset by increases in others. Finally, wage increases are giving many families a boost in incomes.

Thus, as the days grow shorter, we may have a pretty good cattle market.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914.

III. EE278-7/53-9,780

PERMIT NO. 1247

ILLINOIS
FARMERS'
OUTLOOK
LETTER

U. OF I. ECONOMIST SEES ANOTHER GOOD YEAR

Expects Troublesome Depression Later

URBANA,
ILLINOIS
JULY 29,
1953

What is ahead for farmers during the next few years? That will depend mainly upon what is ahead for business in general. And on this critical subject Professor V. L. Bassie, director of the University of Illinois Bureau of Economic and Business Research, has some unusual ideas that merit serious study. I shall try to summarize his views for you:

Most business forecasters have become more and more pessimistic during the past year. They say that business is just too good and that a return to normal will bring a recession. They look for serious unemployment to develop because of cutbacks in auto production, reduced military spending, smaller capital outlays by business, and less home building. Then, after a brief recession, many business forecasters seem to think that high-level prosperity will return for a long stay. Both ideas--early recession and quick recovery--are erroneous, Bassie believes.

A cutback in auto production would not bring on a major recession. Auto production was low in 1952, but industrial and business activity was high. Actual military spending will be reduced very little in the next 12 months. Truce in Korea does not mean world peace, and any reductions in military spending will probably be more than offset by tax reductions and increases in spending by state and local governments.

Expenditures for business expansion are at an all-time high, and no letdown is in sight. As for home building, the cycle is long and changes are slow. Therefore, the decrease in home building in any one year is likely to be small.

For these reasons business may be about as prosperous in the second quarter of 1954 as it is now.

(Continued on other side)

(Continued from other side)

But if and when depression does come, will it be mild and short? Probably not. Once industrial production falls, there will be excess, or surplus, capacity to produce. Then new plants and equipment will not be needed in anything like the present volume. And, as unemployment increases, people will not be willing or able to keep on buying new houses, autos, appliances, furniture, etc.

Many business forecasters think that reduced tax collections, unemployment compensation, and farm price supports would put business full speed ahead again. Actually these programs would slow the decline in business activity, but they would not speed it up. Any public works program by the federal government would be too little and too late to quickly restore full employment.

Those are the views of Professor Bassie. If he is right, how can farmers best plan for the future?

First, present markets for farm products are good and will probably continue strong through 1954. Keep production high. Do not expect to stay out of the game for a year and then to get back in when conditions are more favorable.

Second, figure that eventually there will be an industrial depression and a corresponding decline in farm prices and income. Plan ways of cutting expenses when necessary, and keep debts in shape so that you can stand a few years of lower incomes.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-7/53-9,850
PERMIT NO. 1247

Most of the nation's farm animals can eat well in the year ahead. In July government forecasters saw prospects of a near-record supply, on a per animal basis, of feed grains and other concentrates. Perhaps corn crop prospects have slipped a little recently, but let us check some more feed supply figures as they appeared in July.

FOUR BILLION BUSHELS OF CORN. Begin with the corn crop. The July forecast set the 1953 crop at 3,337 million bushels. That would be 1 percent more than last year's crop and the second largest on record. (The largest was 3,605 million bushels turned out in 1948.) The carry-over of old corn next October 1 will be very near 800 million bushels compared with 486 million bushels a year before.

If the 1953 crop should turn out in line with the July forecast, the total supply of corn--new crop and carry-over--would be about 4.1 billion bushels. That would be 9 percent more than the supply for the past year.

But what if the crop is smaller than this first official forecast? The 1953 crop could be reduced by 344 million bushels, or 10 percent from the July forecast, and we would still have as much total corn as we had this past year.

OTHER FEEDS. On the basis of July prospects, the total production of major feed grains--corn, oats, barley and sorghum grains--was 123 million tons. The carry-over is calculated at 28 million tons. This makes a total supply of 151 million tons, or 7 percent more than in 1952-53.

The supply of by-product feeds for 1953-54 is estimated to be about the same as for 1952-53. And about the same amounts of wheat and rye may be fed. Altogether the government

(Continued on other side)

(Continued from other side)

statisticians expect a supply of feed grains and other concentrates totaling 177 million tons, or 10 million tons more than for 1952-53.

FEWER ANIMALS. While there is more feed in field and bin, there are fewer animals in feedlot and barn. The total number of grain-consuming animals to be fed in the coming year will probably be one to two percent less than in 1952-53. After allowance is made for this decrease, it appears that the prospective supply of feed grains and other concentrates per grain-consuming animal unit will be up about 7 percent from year-ago levels.

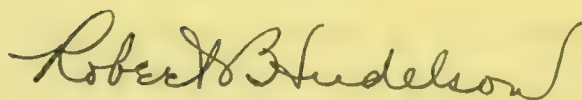
The supply of feed grains and other concentrates per animal unit will be about 2,120 pounds, the same as in the record year of 1949-50. Last year's figure was only 1,980 pounds.

PROTEIN CONCENTRATES. Early season prospects indicated that the total supply of oil seed meal and cake would be at least as large as in the 1952-53 season. Carry-over stocks on October 1 will be much larger than they were last year. The flax crop is estimated to be up 29 percent. These increases will offset some decrease in the production of cottonseed meal and cake. The soybean crop, the biggest source of oil seed meal and cake, looks good in most areas; and the acreage is up 2 percent over last year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-8/53-9,810
PERMIT NO. 1247

Our city cousins are eating mighty well this year. Especially at the meat course. So many steaks, roasts and hamburgers they've never had before. And plenty left over for stew, too.

Total supply of beef for the year may run over 73 pounds per person. That would be one-fifth more than last year. If the supply hits 74 pounds, it will top the old record set 44 years ago.

USDA now figures total meat supplies for the year at 148 pounds per person. That includes beef, veal, pork, lamb and mutton. Pork is calculated at 62 pounds, down 10 pounds from 1952.

The average consumer gets an egg a day plus 30 more during the year. That's a hundred more than before World War II and 15 more than in 1947-49.

The old-fashioned Sunday chicken dinner comes on two week days now. Average consumption this year will be 29 pounds against only 18 pounds in 1935-39.

Consumption of turkey will average nearly 5.3 pounds per person this year. That is a third more than in 1947-49 and double the 1935-39 figure.

Next to meats, dairy products are the big item in the food bill. Consumption of the important dairy products--fluid milk and cream, ice cream, cheese and evaporated and condensed milk--is running about the same as last year. Total milk production is running 4 or 5 percent ahead of last year, but price support operations are putting most of the increase into storage stocks of butter and cheese.

Compared with prewar (1935-39) the per capita consumption of evaporated and condensed milk is up 5 percent, fluid milk and cream up 7 percent, cheese up 42 percent and ice cream up 77 percent! Lots of dinners must begin with beef and end with ice cream.

(Continued on other side)

(Continued from other side)

Consumption of fresh fruits will total about the same as last year but has slipped 15 percent from 1947-49 and 20 percent from 1935-39. Mr. and Mrs. America now want their fruit canned or frozen. Compared with prewar we will use a third more canned fruit and three times as much canned juices. Consumption of frozen fruits and juices this year will be about double the 1947-49 amount.

Supplies of all major classes of vegetables are equal to or greater than last year. Consumption of canned vegetables has increased even while the use of frozen vegetables has nearly doubled since 1947-49.

How much does it cost the consumer to eat so well? About \$27 out of each \$100 of disposable personal income. (This means income after personal income taxes are paid.) Of the \$27 spent for food, \$15 goes for marketing expenses and \$13 gets back to the farmer.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-8/53-9,825

PERMIT NO. 1247

In approving marketing quotas, wheat producers have retained the privilege of getting price supports for another year at a high level. They have also made a rigid agreement that carries stiff penalties for violation. But, more important, they have not found a permanent solution to their problem.

The problem of big stocks may be just as pressing a year or two years from now. The 62 million acre national allotment may stop the build-up of our wheat stocks but not reduce them unless we have low yields.

With average yields and 62 million acres planted, our 1954 wheat crop would be about 1,000 million bushels. This would at least meet one year's domestic needs as well as prospective export needs. Thus carry-over stocks on July 1, 1954, and on July 1, 1955, could be 700 million bushels, enough for one year's domestic needs.

To reduce these stocks will require further acreage reductions, droughts or expanded markets. An expansion in markets seems likely only if we price our wheat at competitive levels in world markets or as livestock feed.

Corn may be next. The law requires the Secretary of Agriculture to hold a referendum on corn marketing quotas when the prospective supply exceeds the "normal supply" by more than 20 percent. On the basis of August 1 crop estimates, the prospective corn supply of 4.1 billion bushels for the 1953-1954 feeding season may exceed the current "normal supply" by more than 20 percent. With liberal allowance for consumption and exports, the present "normal supply" as defined by law would appear to be no more than 3.3 billion bushels. Our prospective total supply exceeds this figure by 24 percent.

Large corn stocks have developed mainly as a result of two good crops, price supports and reduced feeding of hogs.

(Continued on other side)

(Continued from other side)

As of October 1, 1953, the government will own about 600 million of the 800 million bushels of old corn. More than 200 million bushels of this corn is from the 1948 and 1949 crops. By October 1, 1954, carry-over stocks may increase to 1,000 million bushels.

Regardless of the merits of grain reserves, we must recognize these facts:

1. To prevent further increases in corn stocks will require acreage reductions, droughts or expanded markets.
2. To expand the market for corn, it must be priced so that livestock producers will feed it.
3. Government-owned stocks must eventually be put back on the market, and the selling of these stocks will depress future prices.
4. These large stocks, which have been accumulated through the corn program in prosperous times, may be a depressing factor on grain markets when economic conditions are less favorable.

L. F. Stice
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-8/53-9,850

PERMIT NO. 1247

Recent business reports show continued high employment, payrolls, and consumer buying power. To be sure, activity is slowing down in some industries and in some areas, but this decrease has been offset by increases in others.

Considerably more people are working now than were working last year, and their pay checks average bigger. In mid-July, there were 49.4 million people working at nonfarm jobs. That was an increase of 2.3 million (nearly five percent) over the year before. This year employment held up better than usual from June to July.

In mid-June, pay checks of factory workers averaged \$72.04 a week. This was \$5.21 (eight percent) more than last year.

Some soft spots in the economy are normal even in periods of over-all prosperity. Some of the present soft spots are coal mining, automobiles, and farm machinery.

Employment in coal mining is low because of the mild weather last winter and increasing competition from other fuels.

Some automobile companies have reduced operations. Most of the reductions have occurred among the smaller manufacturers or because of shortages of parts. The destruction by fire of one big transmission plant will probably retard the production of several medium- and higher-priced makes. Restricted output now will tend to sustain sales later on.

Some reductions in farm machinery sales were to be expected. Many farmers have re-equipped their farms since World War II, and their needs for new machinery are now greatly reduced.

(Continued on other side)

(Continued from other side)

Home construction this year is down moderately. Total may not reach one million units compared with 1.4 million record in 1950.

Total construction is still running at a high level, and no decline has yet appeared. For the first seven months of this year, contracts were let for 9.7 billion dollars' worth of new construction. This is five percent more than the comparable figure for last year. These contract award figures are good indicators of future trends because they are commitments for future expenditures and employment.

Some of the industries showing recent expansion are electric power, automobile and airline travel, vacation and recreation resorts, telephone service, atomic energy, air conditioning, and frozen food service.

From July 1 through August 18, Uncle Sam spent 9.6 billion dollars. This was six percent more than he spent in the same time a year ago.

State and local governments are also spending more money than they did last year. These outlays are going for new schools and streets and higher wages for employees.

Thus increasing expenditures in some lines are offsetting decreases in others and maintaining a high over-all total of national income and buying power.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-8/53-9,850
PERMIT NO. 1247

Late summer weather is making some important changes in the farm outlook. Drouth in the Middle West has cut into feed prospects here, but rain in the southwestern drouth area has brought renewed hope there. This may add up to less meats and dairy products in the months ahead than had been expected.

Crop conditions in the Midwest are quite variable. Some areas--Minnesota, for example--have had excessive rainfall. Hay went up in poor condition, and some corn may be late in maturing.

The southern and southwestern parts of the Corn Belt have suffered seriously from lack of rain. It now seems likely that the corn crop estimates will be progressively reduced. Instead of 3.3 billion bushels as was forecast on August 1, the December report may show no more than 3.0 to 3.2 billion bushels.

If the crop falls to the lower figure, supplies will be fairly well tied up. A crop of 3.0 billion bushels would just about meet our needs for feed, industrial uses, and exports.

The carry-over of old corn on October 1 will be around 800 million bushels. Of this amount, the government CCC will own nearly 600 million, leaving only about 200 million bushels in private hands. This 200 million bushels plus a crop of 3.0 billion would make a total of 3.2 billion outside of government stocks. Such a supply situation would leave only 200 million bushels of privately owned corn for carry-over a year from now.

If the 1953 crop does turn out to be only 3.0 billion bushels, the total carry-over next fall (1954) will be around 800 million bushels, or about the same as we will have this fall (October 1, 1953). One thing that would make an important difference is that there may be little or no increase in government stocks in the coming year, whereas government stocks increased by around

(Continued on other side)

(Continued from other side)

300 million bushels during the past year. This should make markets at least as good as we had for the 1953 corn crop.

Soybean prospects are very poor in many parts of the southern half of Illinois. But the soybean is a persistent plant, and it will probably make a good yield in most areas. Total supplies available for crushing may be as large as they have been in the past year.

More often than not, it has paid to store soybeans at harvest time and sell later. This past year was an exception. Prospects are fairly good that it will pay to store the 1953 crop, especially if the price slips seriously at harvest time.

The prospect for less corn will probably restrict any expansion in the 1954 spring pig crop. The effect will be slightly lower prices this winter than had been expected and higher prices next summer and the following fall.

Recent rains in the Great Plains and Southwest will help to ease the pressure that has been forcing cattle to market. Continued rains would make a strong demand for stock cattle in many areas.

On the other hand, the drouth has severely injured many ranges, and recovery will be slow. Furthermore, subsoil moisture is lacking in many areas, and several good rains will be needed to restore normal water supplies.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-9/53-9,900
PERMIT NO. 1247

Prices of Illinois farmland have eased downward since last November. The decline is small--only about 4 percent to July, the latest date reported by the U. S. Department of Agriculture. Prices are reported as of March, July, and November each year.

At the July prices, Illinois land values were back to the levels of March 1952. Even after the decline prices were still three times their 1935-39 average.

Nationally the decline has been about the same. The national average has slipped 4 percent from the level held through 1952. Average U. S. farmland prices in July were slightly more than 2 1/2 times their 1935-39 figures.

Prices in drouth-stricken Texas show a comparatively large decrease--10 percent since July 1952. In general, the largest decreases in prices of farm real estate have occurred west of the Mississippi River. East of the river the biggest decrease is 8 percent, reported for Kentucky.

Who is selling farmland? Active farmers sell more than 50 percent of the total sold. Retired farmers sell another 15 percent, and 17 percent of the sales are made to settle estates. These are U. S. average figures.

Who buys farmland? Owner-operators buy 38 percent, tenants 26 percent, retired farmers 5 percent, and nonfarmers 31 percent.

In 59 percent of the transactions, the buyer goes into debt for amounts averaging 57 percent of the purchase price.

Prices of farmland have declined in other midwest states about the same as in Illinois. Iowa prices show a drop of nearly 7 percent from the last half of 1952. Missouri values are off about 6 percent since March 1952. Nebraska shows a decline of 5 percent, mostly since March of this year.

(Continued on other side)

(Continued from other side)

To the east, Indiana figures have dropped 2 percent since reaching top last March. Ohio also shows a decline of 2 percent.

In Michigan farmland prices have held rather steady since reaching a top in July 1952. North Dakota prices in July were the highest on record, up 4 percent in 12 months. Kansas values also were at their record high in March and July of this year.

For Wisconsin the average of land values was steady from March 1952 through March 1953; then it dropped about 5 percent to July.

About 28 percent of the farmland purchased this year is to increase the size of an existing farm. Two years before, only about 24 percent was added to another farm.

Total value of all farm real estate in the U. S. as of last March 1 was estimated at 92.3 billion dollars. The all-time high was 93.7 billion dollars in 1952.

The USDA estimates the average per acre value for March 1 of this year at \$79.66 against the all-time high of \$80.87 a year before.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-9/53-9,900

PERMIT NO. 1247

The official crop report for September shows several things of special interest to farmers. We will list a few of those that seem to be most important.

First, the government estimated the corn crop at 3,216 million bushels. That was down only 4 percent from the official August estimate. Many "second guessers" had thought that the crop was cut by 10 percent during the past month.

Later official estimates this fall may be considerably lower yet than the September figure. Much will depend upon what farmers report after they have picked some of their corn.

The September 1 estimate for this year's corn crop, 3,216 million bushels, is 3 percent smaller than the crop reported for last year, but it is still 6 percent larger than the 10-year 1942-51 average. A crop of the size now estimated would provide about 200 million bushels more corn than will be needed for domestic use and export. If that much is added to the carry-over, it will total about 1,000 million bushels by October 1, 1954. That would be about one-fourth more than the expected carry-over October 1 this year.

This is a year of sharp contrasts in the corn belt. Drouth hit southern parts of it very hard, while northern areas generally had plenty of rain.

The dairy situation has changed from that of six months ago. Milk production in August was about 10.5 billion pounds. This rate of output is 1 percent below the 10-year average. Last winter milk production was up to 5 percent over the 10-year average. This year dry weather and poor pastures in many areas have cut production.

For soybeans, the latest government estimate puts the 1953 crop at 280 million bushels. This reflects a decline of 8 percent in 30 days. The September estimate is 7 percent under the 1952 crop.

(Continued on other side)

(Continued from other side)

The Illinois corn crop is now estimated at 500 million bushels. This estimate is 5 percent off the August 1 forecast and 3 percent smaller than the crop harvested last year.

The Iowa corn crop is now figured at 617 million bushels. This new estimate shows a decline of 7 1/2 percent from a month before, and it is 11 percent smaller than the crop raised last year.

While the corn crop was deteriorating in many central and southern parts of the corn belt, it was improving in most of the northern states. States showing improvement during August were Minnesota, South Dakota, Wisconsin and Ohio. Many would-be crop forecasters overlooked this improvement.

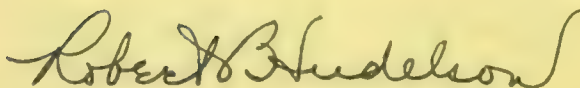
In Indiana improvement in some areas in August apparently offset deterioration in other parts of the state.

Four important states on September 1 had a better corn crop than they had a year ago. The states with larger crops this year are South Dakota, Minnesota, Wisconsin and Ohio. Altogether these four states have 58 million bushels more corn than they had last year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-9/53-9,925
PERMIT NO. 1247

U. S. farmers took in 17.7 billion dollars during the first eight months of this year, according to the U. S. Department of Agriculture. This 17.7 billion dollars is 6 percent less than the all-time record high of a year ago.

So far this year average prices received have been off 10 percent from last year, but farmers have sold 4 percent more products to offset part of the decline in prices.

Most of the decline in farm receipts this year can be traced to lower prices for beef cattle and milk. For both of these products, unusual increases in marketings have brought more than offsetting declines in prices. Returns from cotton have also been lower than last year.

Poultry and eggs have paid off better so far this year than they did in 1952. Total receipts from poultry and eggs, January through August this year, were up 11 percent over year-ago figures.

On the spending side of the farmer's account book, prices are down an average of 3 percent for the first 8 months of this year compared with last year.

Practically all of the decrease in average prices paid by farmers is accounted for in lower prices paid for purchased livestock and feed. These items are, of course, produced by other farmers. There has been little or no decrease in prices of any important products that farmers buy from industry.

During the past 12 months the downward pressure on farm prices has come largely from increased marketings. The year 1952 brought unusually large production of all the major crops--wheat, cotton, corn and tobacco. Beginning late last fall milk production increased considerably above average, and marketings of cattle jumped about 30 percent. No such increases in production or marketings of farm products appear likely in the months ahead. In fact, total crop production for 1953 seems likely to be a little less than it was in 1952.

(Continued on other side)

(Continued from other side)

On the other hand, consumer buying power increased about 8 percent from mid-1952 to mid-1953. Present conditions seem to point to little or no increase in consumer demand during the next 12 months, but rather to a moderate decrease.

From these facts it seems likely that the shaving of farm buying power, which has been under way for six years, will continue through the rest of this year and well into 1954.

Illinois farm income seems to be holding up a little better than the national average. For the first half of this year, cash receipts from farm marketings are estimated at 862 million dollars. This is only 2 percent less than the corresponding 1952 figure. Returns from the big 1952 corn crop have helped to keep Illinois farm income from declining as much as the national average.

For the first half-year, farm income from Illinois crops went up from 269 million dollars in 1952 to 309 million this year. For the same time, Illinois farm income from livestock went down from 607 million dollars last year to 553 million dollars this year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-9/53-9,925
PERMIT NO. 1247

Large marketings of cattle and calves continued through September. This made the tenth consecutive month of record or near-record slaughter.

For the past 10 months, December through September, slaughter of cattle and calves was about 32 percent over the year-before figure.

For the next two months, marketings seem likely to range from 20 to 30 percent over 1952 figures. This prospect indicates that total slaughter for the 12-month period will be around 36 million head, or 8 million more than were killed in 1952.

While slaughter for this year may be up about 30 percent from last year, it is not excessive in comparison with the total number of cattle on farms and ranches. In fact, it now appears that total slaughter for this year will be just about enough to hold cattle numbers steady. Therefore, 1954 may be another year of large slaughter. The most likely prospect is that total slaughter next year will be about the same as in 1953--but it could be considerably greater or less.

Even if slaughter should increase in 1954, the total supply of beef may be little or no greater, because lighter average weights are expected.

One point worthy of note is that recent prices for beef cattle have shown an unusually wide spread. Top prices have been three to four times the prices paid for low-quality cattle. This wide spread may continue through the fall, but the winter and spring usually bring top and bottom quotations much closer together. Therefore we expect a much narrower price spread next spring.

Feed conditions in different parts of the country are in very sharp contrast. In general, the northern and western parts of the U. S. have good pasture and feed. Most of the southern states are in good shape, too.

Missouri and large adjoining areas of surrounding states have been hit by an extreme drouth. Although this midwest drouth has received much less publicity than the Texas dry spell, it has much

(Continued on other side)

(Continued from other side)

more economic significance because the midwest area is much more productive than the Texas range lands.

Serious drouth covering an area 400 to 500 miles wide and running from mid-Kansas and Nebraska eastward to the Atlantic coast will restrict milk production as well as limit cattle-feeding in these areas.

Late summer rains provided relief in much of Texas and the Southwest, but later high temperatures left some doubt that the drouth was over.

Pastures range from fair to good in northern Illinois. In some central Illinois counties, they are very poor. In most other counties, there simply are no pastures. Similar conditions prevail from Kansas and Nebraska to the Atlantic coast.

Many Illinois farmers have no water for their livestock. Probably farmers in other states are having similar difficulty. Poor pastures, lack of hay and shortages of water are limiting many farmers interest in beef cattle.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-9/53-10,004

PERMIT NO. 1247

Are farm land taxes higher now than they were before the war? The answer depends upon how you do your figuring. Of course taxes are higher in dollars, but they are now a smaller proportion of the actual value of farm land than they were before World War II.

Illinois farm real estate taxes payable this year average \$2.45 an acre. This compares with \$2.30 for the previous year and with an average of 98 cents for prewar (1941). These figures are taken from a recent report of the United States Department of Agriculture.

The trend of taxes in relation to land values shows a much different picture. In 1941 taxes on Illinois farm land averaged \$1.18 per \$100 of full value. The proportion this year is 10 cents less, \$1.08 per \$100 of full value. Back in 1946 farm land taxes dropped to 82 cents per \$100 of full value.

In Illinois most farm real estate taxes are used for schools and roads. Smaller amounts are used for relief and local government services.

For the United States as a whole, farm real estate taxes average 77 cents an acre this year. This compares with 73 cents last year and 39 cents in 1941.

For the entire country, farm real estate taxes this year average 90 cents per \$100 of full value. This is up from 84 cents in 1952, but it is down from \$1.17 in prewar (1941). Taxes dropped to 76 cents per \$100 of value back in 1946.

Looking ahead, it seems probable that farm taxes will increase further in the next few years. Citizens seem likely to ask for more and better services from the agencies supported by property taxes, and costs of providing such services seem likely to increase.

(Continued on other side)

(Continued from other side)

After World War I farm real estate taxes rose for 12 years. The increase was very rapid from 1918 to 1921 and slow from then until 1929.

Since World War II we have had seven years of rapid increase in real estate taxes. Nevertheless, taxes per \$100 of full value are lower than they were for any of the years from 1921 to 1942. This situation seems to suggest that the future may bring more pressure for increased support for property-tax-supported services than it does for tax reductions.

After World War I there were no general property tax reductions until the great deflation-depression of 1929-32. Even then taxes were reduced much more slowly than farm land values were cut. In fact, taxes per \$100 of full value reached their all-time high in 1933.

Farm real estate taxes are higher in Illinois than in any other state except for a few small, densely populated states in the northeast. Where Illinois farm owners pay \$2.45 an acre, taxes in surrounding states are: Iowa, \$2.13; Missouri, 59 cents; Indiana, \$1.49; Wisconsin, \$1.74; and Kentucky, 68 cents.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-10/53-10,004
PERMIT NO. 1247

What is the best time to sell corn? Here are some facts to help farmers answer these questions:

Heretofore November has usually brought the season's lowest prices. (In the future the low spot may come more often in October because of earlier completion dates for harvest.)

From November through July, month-to-month price changes are upward more often than downward. Over a period of 44 years, 1908 through 1951, prices went up about 3 times as often as they went down.

NOVEMBER TO JANUARY. Price increases are usually moderate from November to January. Over the 44-year period, the average price of corn increased 6 to 10 cents a bushel in 12 different years. Larger increases occurred in 8 years, smaller ones in 7 years. Prices declined from November to January in 17 years, but there were only two years when the price dropped more than 5 cents a bushel.

NOVEMBER TO MAY. The pattern of price changes for corn from November to May is similar to that for November to January, but large price increases have occurred more often in the longer period. Over the 44 years, prices increased 6 to 10 cents a bushel in 11 different years. In 11 other years they rose from 11 to 25 cents, and in 9 years they went up more than 25 cents a bushel.

Over the 44-year period the price of corn went down from November to May in only 5 years. It declined more than 5 cents a bushel in only 2 of the 44 years.

NOVEMBER TO JULY. Corn prices in July usually show substantial increases over the averages for the previous November. In 11 out of 44 years, the July price was more than 25 cents a bushel over November. In 10 other years the increases ranged from 16 to 25 cents, and in 14 years they were from 6 to 15 cents.

(Continued on other side)

(Continued from other side)

The price decreased from November to July in only 6 out of 44 years. Decreases of less than a nickel occurred once, from a nickel to a dime twice, from a dime to 15 cents twice and over 25 cents once.

These facts show that substantial price increases have occurred frequently, and large price declines only rarely. However, holding corn after harvest time involves a considerable amount of expense that must be paid whether prices advance or decline.

The more important items of expenses are (1) interest, (2) storage space, (3) insurance, (4) taxes and (5) shrinkage.

Do you want more information about when to sell corn? You can get it from a new circular published by the Agricultural Extension Service of the University of Illinois at Urbana, Illinois. Write and ask for Circular No. 711.

This circular was prepared by Professor L. J. Norton, chief in agricultural marketing. All material in this letter is based on information in the circular.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-10/53-10,035
PERMIT NO. 1247

Cattle feeding in the Corn Belt is continuing on a big scale. The total supply of beef now in feedlots is about the same as it was a year ago. These facts are apparent from a recent government report of cattle on feed.

The official report covers the three most important cattle-feeding states--Iowa, Illinois and Nebraska. On October 1 farmers in these three states were boarding 1,325,000 head of steers, heifers and other beef-makers. This number is 3 percent more than the 1,288,000 head at the feed bunks at the same time last year.

Each successive quarterly report this year shows a smaller increase over corresponding 1952 figures of cattle on feed. The January 1 report showed an increase of 30 percent; April 1, 21 percent; July 1, 9 percent; and now, October 1, 3 percent.

Average weight of cattle in feedlots October 1 was 3 percent less than a year before. Thus the total tonnage of beef being fattened for the nation's dinner tables is about the same as it was last year.

Only one kind of cattle--heifers--shows an increase in numbers on feed. All other classes show decreases. Heifers on feed October 1 numbered 316,000 against only 223,000 a year before. Steers were down from 982,000 to 956,000. Calves on feed dropped from 71,000 to 46,000.

All of the reported increase in numbers was in long-feds--cattle that had been in the feedlot more than six months. Such cattle increased from 470,000 on October 1 last year to 531,000 this fall. Both numbers on feed three to six months and on feed less than three months showed a slight decrease.

The increase in heifers on feed on the one hand and the increase in long-feds on the other may seem to be unusual, but the two are not inconsistent with one another. There was a big

(Continued on other side)

(Continued from other side)

increase in steers on feed over six months but a much larger decrease in steers on feed less than six months.

The largest changes in numbers in different weight groups occurred in the 600 to 900 and 1,100 to 1,300 pound groups. Numbers of light cattle show a big increase, while there are fewer heavy-weights in feedlots. The number of 600 to 900 pound cattle on feed shows an increase from 507,000 last year to 607,000 this year. On the other hand, the number weighing 1,100 to 1,300 pounds decreased from 177,000 to 105,000 head.

Farmers said that they expected to market cattle earlier than they reported last fall. This year they expected to ship 76 percent of their cattle before January 1 compared with only 69 percent last year.

Illinois farmers were feeding nearly as many cattle on October 1 as they were feeding a year before--320,000 against 330,000 in 1952. Nebraska farmers also were feeding less--312,000 compared with 328,000 last year. Iowa feeders more than made up the difference with 693,000, whereas they were feeding only 630,000 a year ago.

The next important survey of cattle on feed will be January 1. The report will be released in Washington about two weeks later.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-10/53-10,035

PERMIT NO. 1247

The price of corn will rise to around \$1.50 a bushel before next harvest. That is the opinion of L. J. Norton, professor of agricultural economics at the University of Illinois.

Norton thinks that farmers will place enough 1953 corn under price support to raise the price to the \$1.50 area, which is the "effective loan" price. This price is the official loan rate less necessary fees, interest, taxes, and shrinkage. It is the market price which many farmers are willing to take in preference to the government loan.

Norton further points out that average prices of farm products have been working lower since February 1951. The downturn was rather abrupt after July 1952. Two probable causes for this decline were (1) a considerable increase in marketings of farm products and (2) a decrease of about one-third in agricultural exports.

Three factors depressed the corn market this past year:

1. The crop was large (3.3 billion bushels)--10 percent greater than needs.
2. Hog numbers were decreasing. Both fall and spring pig crops were cut by around 10 percent.
3. The government sold large quantities of old 1948 and 1949 corn that it had acquired in supporting prices of corn in those years.

Many farmers overlook the fact that most or all of the gains from crop loan and storage programs are lost when later sales of the surplus products prevent normal market recoveries.

Price-supporting forces in the market this past year were as follows:

1. Exports of corn increased from 81 million bushels in 1951-52 to 124 million in 1952-53.
2. Farmers increased their feeding to poultry, dairy cows and beef cattle.
3. Farmers placed nearly 400 million bushels of corn under price support loans and purchase agreements.

Norton observes that recent prices for corn have been 5 to 15 cents a bushel under corresponding 1952 levels. These are the main reasons for the lower prices:

1. The supply is larger--4.0 billion bushels as against 3.8 billion last year.
2. The supply of wheat, which is extensively used for feed, is extremely burdensome.
3. Hog numbers are down 10 percent.

(Continued on other side)

(Continued from other side)

Price advances for corn may be slow, Norton believes. Here are two reasons:

1. The supply is greater than it was a year ago.
2. The government will probably be a persistent seller of corn.

Recently the government has been selling old corn at the rate of about 2 to 3 million bushels a week. At this rate it will take nearly 2 years to clean out the supply of old 1948 and 1949 corn.

Best hopes for added strength in the corn market are in (1) increased feeding to hogs and (2) a short crop in 1954.

The size of the 1953 fall pig crop will be determined and made known by the government around December 20. At the same time farmers' intentions for spring farrowings will be reported.

Drouth became increasingly severe in 1952 and 1953. Some students of weather think that it will continue for another year or more.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-10/53-9,985

PERMIT NO. 1247

USDA economists state that farm income in 1954 will be near 1953 levels. Reasons for this belief are:

1. Most of the temporary benefits of wartime inflation disappeared early in 1952 and before.

2. 1954 is not expected to bring either a new inflation or a serious business recession.

The uptrend in farm production may be reversed in 1954. Acreage restrictions on cotton and wheat (and probably on corn) could bring about a decline in farm output.

Demand for farm products will not benefit from increasing consumer incomes in 1954 as it did in 1953. Domestic demand will be sustained near recent high levels by large expenditures by federal, state and local governments and by American businessmen. Buyers outside the U. S. are expected to take as much as they did in the past year.

Beef. Record supplies of beef are being produced and consumed this year. Supplies and prices for next year will average about the same as in 1953. Lower costs for feed and feeder cattle will give the cattle feeder a chance to make average profits.

Hogs. This has been a good year for hog producers. Market supplies will probably run under year-before levels until next summer. The 1954 spring pig crop is expected to be 5 to 10 per cent above 1953 figures.

Dairy. This industry is burdened by big stocks (equal to 8 billion pounds of milk) largely acquired in price support operations. More products will probably be piled up in 1954 unless price supports are reduced. Total milk production is about 118 billion pounds for 1953 and will probably be a bit larger in 1954. Reduced prices and costs may permit profits to remain near 1953 levels.

(Continued on other side)

(Continued from other side)

Poultry. 1953 was a good year for poultrymen. Record production of eggs and broilers went at encouraging prices. Next year will probably bring still larger output and lower prices and production costs.

Wheat. Price supports have built up another big surplus. Supplies total 1,700 million bushels, about 3 times as much as is required for food in the U. S. Acreage allotments and marketing quotas may cut production in 1954, but prices will be held down by supplies from previous crops.

Corn. The supply totals nearly 4.0 billion bushels, a little more than last year. The carry-over is expected to rise from 764 million bushels on October 1, 1953, to around 900 million bushels a year later. Prices may work up to near the loan level by next summer.

Soybeans. There is no excess supply on hand, but price support for a competing product, cottonseed, has caused an accumulation of cottonseed oil. Best chance for a price increase is through a rise in the value of soybean oil. Longer time problem: How much of the land taken out of wheat, cotton and corn will be planted to soybeans?

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-11/53-10,000
PERMIT NO. 1247

Your government bought more dairy products for price support this year than ever before.

These purchases have built up record storage stocks that dim the dairy outlook for 1954.

From January through September, USDA purchases for price support were equal to 9.6 billion pounds of milk. These purchases were $2\frac{1}{2}$ times as great as in 1950, the previous record year. The buy this year was equal to $\frac{3}{4}$ of all price support purchases in the preceding 20 years.

By the end of August, total storage stocks of dairy products were equivalent to 12 billion pounds of whole milk. Sales from private and government supplies may reduce this total to near 8.6 billion pounds (1 billion gallons) whole milk equivalent by the end of this year. This would be 3 to 4 billion more than the carry-over at the beginning of the year.

While price support purchases this year greatly exceeded any previous operations, the milk "surplus" is not so large as it may seem to be.

Look at it this way: Total milk production for this year will be around 118 billion pounds. Storage stocks are increasing by 3 to 4 billion pounds this year. Therefore, dairy products equivalent to 114 to 115 billion pounds were consumed during the year. Consumption was thus within about 3 percent of production.

Price support purchases through September included 345 million pounds of butter, 273 million pounds of cheese and 513 million pounds of nonfat dry milk. These purchases are equal to $1\frac{1}{2}$ pounds of cheese per person, 2 pounds of butter and 3 pounds of the dry skim milk.

Farmers will pocket some 4.2 billion dollars from the sale of dairy products this year. This amount is down about 8 percent from the record high of 4.6 billion dollars received last year. USDA forecasts that cash receipts will decline a little more in 1954.

(Continued on other side)

(Continued from other side)

Dairymen who buy feed have had the benefit of some cost reductions this year. However, these cost reductions have not been enough to offset the decline in milk checks.

Looking ahead, the dairyman can see plenty of problems. Some of his products are being priced out of the market. Competition from vegetable oils is increasing. Rising costs of distribution cut the farmer's share of the consumer's dairy dollar. And much land diverted from wheat, corn and cotton, and possibly from soybeans, can be used to increase milk production.

On the other hand, farmers are finding ways of reducing costs of producing milk. Consumption of dairy products is increasing. New dairy products are being developed, and cheaper methods of distributing milk are being adopted.

Per capita sales of fluid milk are $1/3$ higher than they were in 1935-39. Consumption of cheese and ice cream has increased $3/4$ over prewar. Use of nonfat dry milk has doubled.

Costs of distributing milk are being reduced by greater use of paper cartons and gallon jugs, more sales through stores and court decisions breaking down trade barriers erected by cities.

Competition is increasing, but the dairy business is still growing.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-11/53-10,018

PERMIT NO. 1247

This has been a good year for most poultrymen. Next year seems likely to bring more competition and smaller profits.

This year has been notable for several things: Feed costs have probably averaged eight to ten percent under 1952 levels. This decrease has helped to keep production costs under control. Egg production and sales have been the largest on record, and prices have averaged higher than in any other recent year. Broiler output also has been at a record high, with prices among the best since 1948. Turkey production is second only to that of last year, and prices are near last year's figures.

As we look ahead, egg production seems likely to run slightly above year-earlier figures. Numbers of hens and pullets on farms give a clue to future output. On October 1, farmers had 196 million hens, five percent more than they had a year before. At the same time they had 289 million pullets, one to two percent less than they had last year. These facts forecast a laying flock one to two percent larger on January 1, 1954, than a year earlier.

Egg production per hen will probably be larger during the next few months than it was a year earlier. Rate of lay has increased in 11 of the past 17 years. For all 17 years, the average annual increase in rate of lay is around three percent. Rate of lay has now increased rather steadily for three successive years, and another moderate increase, of perhaps two or three percent, seems likely in 1954.

The storage situation was the key to the market last winter and spring, and it may be again. In recent years most eggs for storage have been broken out and frozen rather than stored in the shell. Supplies are built up during the high production months of February to June. Frozen eggs are used by institutions, bakeries and manufacturers of baking mixes.

(Continued on other side)

(Continued from other side)

The year 1953 began with stocks of frozen eggs at a very low level, and buying of eggs for freezing was very active. Now stocks of frozen eggs are even lower than they were a year ago, and processors may be forced to begin buying as early as they did last year, if not earlier.

Egg prices seem likely to average a little lower in 1954 than in 1953 and to follow a more normal seasonal pattern. That is, the decline from November to February is likely to be considerably more than the ten cents recorded last winter.

If egg prices follow their usual seasonal pattern, they will decline one-fourth to one-third from November to February. Prices usually remain low from February through most of June and rise one-third from June to October. Best prices of the year are made in the four months from September through December, but most Illinois farmers produce and sell most of their eggs in the low months of February to June.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-II/53-10,018

PERMIT NO. 1247

When I was a kid, "fried chicken" was a special treat that was available only from the Fourth of July until September. Early on the big day, Mother pointed out the largest young rooster in the farm lot. Then we kids took off after him like hounds after a rabbit.

In those days fried chicken was too valuable for us to enjoy often. It was too expensive for most city families too. Now chicken is one of the most economical meats you can buy, and it is available every day almost everywhere in the United States. We can thank efficient farmers, research workers and food distributors for the change.

Broiler producers have had a good year in 1953. Feed costs have been down eight to ten percent from those of last year. The number of broilers produced and sold reached a new all-time high. And prices received by farmers have been among the best since 1948.

The outlook for 1954 is fairly good too. Feed supplies are now one or two percent larger than they were a year ago, and costs should go no higher. Although the output of broilers has increased each year since 1948, the amount, or rate, of increase is not so great as it was a few years ago. The supply will probably increase again in 1954, but the rate seems likely to be moderate.

This year (1953) the supply of chicken meat will total about 23 pounds per person, the same as in 1952. For the first time, broilers have made up more than half of the total supply of chicken. Broiler production is running about five percent greater than last year. In 1954, USDA forecasters expect output to increase another five or eight percent. This increase can be absorbed without much decline in prices.

Several developments are making for greater stability in production and prices: The supply of hatchery eggs is more dependable than it formerly was. Output from the bigger industry is likely

(Continued on other side)

(Continued from other side)

to be more uniform. Full-time producers will not jump in and out so much as sideline operators have done. Hatcheries and feed dealers are financing many operators, and they can get good price insurance by having one or more lots for sale each week.

Some processors now support the market in periods of large supplies by buying excess supplies and freezing them for later sale. Facilities and practices in retailing broilers are greatly improved over those of a few years ago. Finally, consumers have become accustomed to buying and using broilers more frequently.

Consumer demand for chicken seems likely to hold up well through 1954. Supplies of competing meats will be no larger, and possibly a little smaller, than they have been in 1953. Chicken is priced favorably compared with pork, beef, and other meats.

Consumers seem likely to have about as much money to spend for poultry as they have had in 1953. Unemployment may increase to more normal levels, but this will be offset, in part at least, by higher wage rates for some workers and by reductions in federal taxes.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-11/53-10,022
PERMIT NO. 1247

What is the farmer's greatest enemy? You may say drouth; another person might say floods; another, insects; and another, animal diseases.

W. Randolph Burgess, Assistant Secretary of the Treasury, recently listed "instability of the value of money" high on the list of enemies of farmers. Borrowing cheap money and paying back dear, dear money has cost many farmers a lifetime of savings. Mr. Burgess was talking at the National Agricultural Outlook Conference held recently in Washington, D. C. We'll pass along to you some other notes from his talk.

The Treasury is working for sound money, which is the basis for economic strength and national security. The Soviets believe that "the American system will destroy itself." Inflation has destroyed the political and economic system of many countries. Economic recovery could not be started in Germany after World War II until sound money had been reestablished. The same was true in Belgium, Holland, Italy, and Greece.

The U. S. has had less inflation than most other countries, but the cost of living has risen 35 percent since the war ended.

Farmers' early gains under inflation have been largely lost since 1948.

Three pillars of sound money are (1) a budget under control, (2) a federal reserve policy free from political pressures, and (3) a sound debt policy.

Concerning budget control, Mr. Burgess suggested that Congress should limit its appropriations rather than make excessive appropriations and then set a debt limit on the Treasury that is required to raise the money to meet the appropriations.

The budget, cash basis, for the year ending next June 30 will be nearly balanced. The following year is expected to show a cash deficit of 4 to 6 billion dollars unless Congress does not allow scheduled tax reductions to become effective.

(Continued on other side)

(Continued from other side)

The Federal Reserve System was planned and created by Congress to regulate the supply of money and credit for the benefit of all of the people. Pressure from government should not be used to force the Federal Reserve System to maintain abnormally low interest rates. Low interest rates temporarily reduce the interest costs on the public debt, but low interest rates make cheap money and higher prices for consumers and higher costs for the government too.

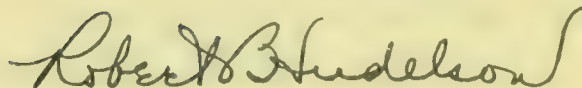
Remember back 10 years ago--you wondered how Uncle Sam was going to pay off all those government bonds when they came due in 1953? Well, you know now. He borrows from Peter to pay Paul. Or, more often, he borrows from Peter to pay Peter. One-fourth of the national debt falls due in 12 months. Three-fourths of the debt matures in less than five years. The Treasury has had to go to the market to borrow money nine times this year. Present Treasury policy is to reduce short-term borrowing and get more of the debt into long-term government bonds.

The U. S. dollar is the anchor of the currencies of the world. The dollar must be sound and honest. Every possible means should be used to prevent either inflation or deflation. A stable value for our money is the foundation for national strength and security.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-12/53-10,022

PERMIT NO. 1247

Business forecasts remind us of some weather forecasts that read: "Partly cloudy. Scattered showers." Let us look at some of the basic facts.

Business activity took quite a jump in the last half of 1952. Employment figures increased sharply. Production workers put in more hours per week. Hourly wage rates increased. And average weekly earnings of factory workers climbed from \$66 a week to \$72. These high-level figures continued through 1953 until very recently, when there was some downturn.

While business activity was running very high, average prices of basic products, including farm products, worked lower. This down trend continued until early October. At that time average prices of these basic products turned upward. The upward trend has continued for the past eight weeks. Price advances have averaged about 4 percent for spot commodities and 7 percent for futures.

Many manufacturing executives are optimistic about the first quarter of 1954. Basis of their confidence is orders already on file, as recently reported at the annual meeting of the National Association of Manufacturers.

Manufacturers of popular automobiles are planning to push car output early in 1954 above corresponding 1953 levels. Some auto finance companies are planning to offer easier terms.

Housing starts are holding up well. Mortgage money, difficult to obtain a few months ago, is plentiful now.

Life insurance sales are up 17 percent this year over 1952 figures. This makes more money available for the insurance companies to loan or invest.

(Continued on other side)

(Continued from other side)

Another reason for the easier money is action by the Federal Reserve System that has increased the desire and ability of banks to make loans.

The next big depression will come when business stops spending money for new plants and equipment. Such expenditures were at an all-time high of \$28 billion in 1953. Most signs point to continued large outlays for new facilities in 1954.

Among the industries planning large expenditures in 1954 are oil, automobiles, electric power, and chemicals. Some of the expenditures planned for the year are to provide for increased production. Others are to reduce production costs, to bring out new products, and to "meet the competition."

Big construction contracts awarded during the first 11 months of this year totaled about \$13.8 billion. This is only about 7 percent less than the corresponding 1952 total. Work on most of these contracts will continue through the coming year.

Even sales of farm machinery are holding up better than one might suppose from some of the talk. One manufacturer says that dealer stocks are below normal. This company has been operating at 40 percent under year-before levels, but it is now selling machinery faster than it is producing it. Another big manufacturer of farm machinery, one that also produces industrial equipment, has just completed its second highest year of sales. This company's sales for the past year were off only about 4 percent from those of the previous year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-12/53-10,075
PERMIT NO. 1247

Commodity prices have worked steadily upward during the past two months. The index of spot prices has gone up three percent, while futures prices have climbed six percent.

These advances raise the index of spot prices to within one percent of the level at this time last year. The index of futures is within five percent of its corresponding level in 1952.

These indexes are made up of prices of both farm products and industrial materials.

The hog market has shown exceptional strength. Top prices near the \$25 mark were the highest for any December in six years. In fact, prices for December seem likely to be the second highest on record for the month. In December last year the average price for barrows and gilts at eight markets was \$17.91, and the year before it was \$16.88.

The high prices for hogs are due to a combination of strong demand and smaller than normal supplies. The 1953 spring crop, now being converted into pork and lard, is eight percent smaller than normal. It is the demand for pork that is providing the power behind the hog market. Principal pork cuts are wholesaling at 40 to 53 cents a pound, but lard is going for only 7 to 8 cents.

Soybean prices made a strong advance after harvest. Before mid-December Chicago quotations were over the \$3.00 mark and slightly higher than those of the year before. A smaller than average crop, plus strong demand for soybean oil and meal and some export demand, was the principal price-boosting force.

Recent prices of most other Illinois farm products remain under corresponding 1952 figures. Both corn and oats were priced at about a dime a bushel below year-before levels. Wheat was 20 to 25 cents lower.

(Continued on other side)

(Continued from other side)

In general the lower prices for grains reflect increased supplies this year. This is especially true for wheat, where the supply is equal to about two years' needs.

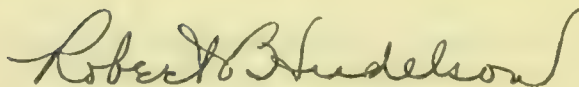
Up to November 15, farmers had obtained price-support loans on 542 million bushels of 1953 grain crops. This amount was seven percent of total production. Wheat made up nearly four-fifths of all grains placed under price support.

Bulk of beef steers at Chicago sold recently at \$22 to \$26. Year-before prices were \$26 to \$33. Lower prices this year reflect the 25 percent increase in beef production that farmers poured onto the market this year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-12/53-10,095
PERMIT NO. 1247

The midwest farm product in greatest surplus is wheat, but some important types of wheat are in very short supply and are selling for more than the price support level.

The United States normally uses about 480 million bushels of wheat for food. Another 75 million bushels are needed for seed. This makes total needs for food and seed around 555 million bushels.

The total supply of wheat available this year (beginning last July 1) was 1,730 million bushels. Thus the supply was more than three times as great as is needed in one year for food and seed.

Soft red winter wheat is selling further below the price support level than any other type of wheat. This is the type generally grown in southern Illinois and across the central part of the eastern half of the United States. The No. 2 grade sold recently (December 17) for \$2.10 a bushel at St. Louis--43 cents below the corresponding terminal support price. Flour from this type of wheat is especially good for biscuits and cake. Consumer demand for such flour has decreased in recent years, and many flour mills that made it have closed.

Hard winter wheat is selling better than soft red winter. The hard winter wheat is the type grown in the Great Plains States, and most of the wheat grown in the northern half of Illinois is of this type. Flour from this wheat makes excellent bread, and it is highly desired by foreign importers.

Recent prices for No. 2 hard winter wheat at Kansas City ranged from \$2.28 to \$2.48 a bushel--2 to 20 cents below the terminal support price. The variations in prices reflect different percentages of protein in different lots of wheat: The more protein, the higher the price.

The northern Great Plains States and Canada grow two types of spring wheat--durum and dark northern spring. The DNS type produces a very good bread flour. Each lot is priced according to its protein content. No. 1 DNS, ordinary protein wheat, was recently priced at \$2.36 a bushel at Minneapolis. This is 16 cents under the corresponding loan rate at that terminal. The same class of wheat, but with 15 percent protein, brought \$2.65 a bushel--or 9 cents more than the government loan rate.

(Continued on other side)

(Continued from other side)

Durum wheat is used for macaroni and such. It brings a big premium, selling lately at Minneapolis for \$3.82 a bushel, or \$1.30 a bushel more than the price support rate.

Advocates of production control for wheat claim that controls are necessary because a lowering of the price of wheat does not boost the consumption of bread. This claim is true for our own country, but it is not the most important point. The really important fact is that relatively small reductions in price would enable us to sell much larger quantities for export and for feed in our own country. Many farmers would prefer moderately lower prices for wheat to acreage allotments and marketing quotas. Such a program would also be more popular with U. S. taxpayers and with our foreign friends.

L. H. Simerl

Department of Agricultural Economics

P. S. Recent prices for lard, listed incorrectly last week, were 14 to 17 cents a pound. L.H.S.

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-12/53-10,175
PERMIT NO. 1247

There will be another good year for hog producers. This prospect is held up by the recent pig crop report, and by the outlook for consumer buying power.

For 1954 as a whole, the market supply of hogs will be no more than in 1953; maybe less.

Here is the prospect season by season:

For the next few weeks market supplies will come from the late 1953 spring pig crop, and that was about 12 percent smaller than for the previous year.

For the six months, February through July, market supplies will be eight to ten percent less than they were a year earlier. This expected cutback grows out of the nine percent reduction in pigs farrowed during the past summer and fall.

Of itself, the prospective reduction of 8 to 12 percent in market supplies for the next six to eight months would raise prices by 12 to 18 percent over year earlier figures. The price-raising tendency of smaller supplies may more than offset the effects of any decline in consumer buying power.

The 1954 spring pig crop probably will be four to six percent larger than that of 1953, and market supplies will show a similar moderate increase next fall. The government report showed that farmers expected to breed six percent more sows for spring farrowing than they did a year ago. If farmers save as many pigs per litter as the record 6.8 that they saved last spring, the increase in total pigs saved would be six percent. Government officials, figuring more conservatively, suggest that the increase will be only four percent. But either four or six percent is a small increase.

Standing alone, such an increase in supplies would tend to reduce prices of hogs by six to ten percent.

(Continued on other side)

(Continued from other side)

Storage stocks of pork are low for this time of the year. At the beginning of December, pork in storage totaled 266 million pounds. These stock were 17 percent less than those of a year before, and 19 percent less than the average for ten years.

The reduced supply of hogs in prospect for 1954 will go far toward maintaining prices even though consumer demand slips a little.

The year 1953 was the best in history for the American consumer. Wages and employment were at record high rates. Unemployment, even at the end of the year, was only about half of what it was back in 1949 and 1950. Big spending by government, business, and families will provide a high level of employment in 1954, and this in turn will make a firm demand for pork and hogs.

Recent (late December) prices for hogs were around \$25 to \$26 a hundred pounds; up \$6 to \$7 from a year ago. Recent wholesale prices for major pork cuts were 36 to 54 cents a pound compared to 25 to 47 cents last year. At the same time, raw leaf lard was listed at 17 cents a pound compared to seven cents 12 months back.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-12/53-10,175
PERMIT NO. 1247

558.1

I2662w

1954

cop. 3

1954
0223

For the next several weeks, market supplies of hogs may run as much as one-fifth less than they were a year earlier. This conclusion is based on a review of the number of pigs saved last summer.

In May farmers saved only 1.3 million pigs. That was 18 percent less than they had saved a year earlier. In June, the number saved was only 680,000, or 28 percent less than in 1952. For both these months together the number of pigs saved was 20 percent, or one-fifth less than were saved the same two months of the previous year.

Most hogs are sold at seven or eight months of age, so the effects of these light farrowings last May and June will show up in small receipts during the remaining weeks of this winter.

Farrowings were more nearly normal in July and August. In July farmers saved 630,000 pigs--or only five percent less than in 1952. In August they saved 1.2 million, the same as the year before. For these two months, pigs saved totaled 1.8 million, down two percent from 1952.

Farmers saved 1.3 million pigs in September, and 650,000 in October. The September figure is 15 percent below that of the year before, and the October figure down 13 percent.

For the six months June through October, the number of pigs saved was 12 percent less than during the same months of the previous year. This indicates that total market supplies of hogs during the next six months may be down by about the same amount.

In recent years, average monthly prices for hogs worked up from December to March, then slipped off a little for April and May. In the next few years the high month for the season seems likely to be February.

Fall pig crop cuts by states. Iowa cut its fall pig crop more than any other state. The tall corn growers saved 540,000, or eight percent fewer pigs than in the previous fall. The Hoosiers cut

(Continued on other side)

(Continued from other side)

250,000 head, or seven percent. Illinois reduced 210,000, or five percent. Missouri trimmed off 130,000 pigs, or five percent.

All of the 13 North-Central states, except South Dakota, show a smaller fall pig crop for 1953 than for 1952. In fact, all of the other states, except three unimportant ones, show decreases.

Prospects for spring pigs. According to the government survey, farmers plan to have 7.8 million sows to farrow during the six months ending next June 1. This number of sows would be six percent more than farrowed last spring, but 15 percent less than the ten year average.

In each of the past two springs, farmers set an all-time high record for pigs saved per litter. The 1953 average was 7.8 pigs per litter. If farmers do as well this spring, and if the number of sows to farrow is as reported, the spring pig crop would be up six percent from 1953.

If, however, the number of pigs per litter is only equal to the three-year average, the increase in spring pigs would be only four percent.

For several years, April has been the biggest month for spring pigs. But farmers are breeding for earlier pigs each year. It seems likely that this year, for the first time, the largest farrowings will be in March.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-1/54-10,085
PERMIT NO. 1247

Factory lay-offs make many headlines. Unemployment is expected to climb above two million this month, and some further increase is probable in February.

This news may be played up to seem to be more important than it really is. Let us check these figures against some records.

Unemployment usually reaches its peak in January or February. Each winter since World War II has had two- to five-million persons looking for work.

Worst winters were 1949 and 1950. In the first three months of 1949, unemployment averaged 3.3 million. In the winter of 1950, 4.4 million had no jobs.

Last year opened with 1.9 million jobless. Unemployment then declined steadily until August and September when only 1.2 million were looking for work.

Average unemployment in 1953 was lower than in any other year since World War II. In fact, unemployment last year was the lowest of any peace-time year since 1929.

The total civilian labor force numbers about 63 million persons. The two million unemployed represent only about 3 percent of the total. This makes for a rather tight labor situation, especially in some areas.

Much of the present unemployment seems to be centered in steel and other hard goods industries. This is only natural after the very large output of steel and hard goods turned out since the two-month strike at the steel mills in 1952.

While news reporters headlined increasing unemployment, the prices of basic materials marched upward. The price advance got under way last summer and early fall.

(Continued on other side)

(Continued from other side)

One measure of the average of prices of a large group of spot commodities touched a bottom in June. This index turned sharply upward at mid-October. It climbed even more rapidly in late December and early January. By January 10 this index was nine percent above its summer low, and at its highest level in 15 months.

A companion index measures average prices of commodities for future delivery. This index bottomed in June, advanced for a few weeks, sagged back to the bottom again, and then started upward in October. By January this index of future prices had climbed 10 percent. At that point it was at its highest level in 12 months.

The next few weeks will be a critical testing time for markets because it is the period of big cash-take by government tax collectors. But the advance in prices in the past three months indicated that there may be more life in the nation's economy than some people think.

L. H. Simerl
Department of Agricultural Economics

Correction to letter of January 6. The figures used to illustrate the reduction in the fall pig crop were for sows farrowed, not piggsaved.....The average number of pigs saved per litter from the 1953 spring pig crop was 6.8, not 7.8 as given.....Neither error effected the percentages given, the comparisons made nor the conclusions drawn. L. H. S.

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-1/54-10,095

PERMIT NO. 1247

The nation's farmers are still making T-bone steaks and rump roasts in a big way. To be sure, they have reduced their cattle feeding from last year's record high, but they are feeding more cattle now than in any year before 1953.

On January 1, farmers had 5,334,000 head of cattle on grain feed. This number is 9 percent less than last year, but it is nearly one-fifth more than the 5-year average for 1948-1952.

Iowa, Nebraska and Illinois are, as usual, the big three in cattle feeding. California and Missouri take fourth and fifth places. (Florida? It is not listed in the government report that mentions 29 states.)

Compared with last year, the largest reduction in cattle feeding has occurred in Nebraska and Iowa. The reduction in Nebraska is 124,000 head, and in Iowa, 104,000 head. Texas cattlemen are feeding 64,000 fewer than last year and Illinois farmers 50,000 fewer.

On a percentage basis, the reductions in these four states are as follows: Nebraska, 17 percent; Iowa, 16; Texas, 33; and Illinois, 8.

Eleven states were feeding more cattle at the beginning of this year than they were a year before. Of these states, California shows the largest increase. The number reported on feed in California is 350,000 against 327,000 last year.

Here are some more important facts about the kind of cattle on feed in the big-three states:

Farmers have cut the feeding of heavy cattle a little more than the feeding of light cattle. Numbers of cattle weighing 1,100 pounds and up show a drop from 172,000 to 114,000 head (34 percent). The 900 to 1,100 pounders are down from 463,000 to 385,000 (17 percent). Cattle weighing between 600 and 900 pounds show a cut from 1,140,000 a year ago to 944,000 this year (17 percent). Numbers of cattle on feed weighing less than 600 pounds are down from 830,000 head to 784,000 (5 percent).

(Continued on other side)

(Continued from other side)

All kinds of cattle show a reduction in numbers on feed, but heifers show the largest percentage cuts and calves the smallest. Heifers on feed this year represent only 11 percent of the total against 13 percent a year ago. Calves now represent 32 percent of the total on feed compared with 29 percent last winter.

The figures for the length of time that cattle have been on feed are the same as for last year--78 percent, less than 3 months; 18 percent, 3 to 6 months; and 4 percent, more than 6 months.

On January 1, farmers' marketing intentions were as follows: for January 1954, 281,000 compared with 346,000 a year earlier; for February, 243,000 against 316,000 a year ago; for March, 266,000 compared with 316,000 in 1953; and for marketing after April 1, 1,437,000 compared with 1,657,000 last year.

During the three months October-December, the number of stocker and feeder cattle shipped into the big-three states was 21 percent less than in the same three months of the previous year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-1/54-10,190
PERMIT NO. 1247

World War II began in Europe 15 years ago--in 1939. Since that year average prices received by farmers have risen 165 percent, and cash farm income is up 220 percent. During the same time the buying power of the farmer's dollar has shrunk 56 percent.

All of these changes have been greatly influenced by a single factor: multiplication of the nation's supply of money.

Back in 1939 people had seven billion dollars' worth of currency in their billfolds, sugar bowls and strong boxes. Now there is 30 billion in cash, or more than four times as much as there was 15 years ago.

The total amount of coins and \$1, \$2, and \$5 bills has increased from 2 billion dollars in 1939 to 5 billion. Bills of \$10 and \$20 denominations have jumped from 3 billion dollars to 16 billion. Bigger bills, \$50 and over, have increased from 2 billion in 1939 to 9 billion dollars.

As we said, the total amount of currency in circulation has increased from 7 billion dollars to 30 billion. But the currency in your pocket probably represents only a small part of the money you have. Most of your dough is in the bank. Checking-account money (demand deposits) has swollen from 30 billion dollars in 1939 to 104 billion.

Total currency plus demand deposits has increased from 38 billion dollars in 1939 to 144 billion at the beginning of this year. This present supply of working money (currency in circulation plus checking accounts) is 3.8 times the supply in 1939.

Now let's add in time deposits in banks. They totaled 27 billion dollars in 1939 and total 70 billion now. The total currency in circulation, plus demand and time bank deposits, has increased from 64 billion dollars to 204 billion. The present total is 3.2 times the 1939 total.

(Continued on other side)

(Continued from other side)

Stocks of corn on January 1 were distributed as follows: On farms, 2,138 million bushels; in government (CCC) bins, 394 million bushels; in terminal elevators, 43 million bushels; and in other elevators, warehouses and mills, 100 million bushels.

Note: The government owns, in addition to the 394 million bushels in CCC bins, considerable quantities of corn in elevators and warehouses. Besides these quantities, the government also has made, or guaranteed, loans to farmers on a large amount of corn that is stored on farms.

Stocks of oats on January 1 totaled 841 million bushels, or 2 percent less than one year earlier. Ninety three percent of this amount was stored on farms and the rest in elevators and mills.

Barley stocks equaled 177 million bushels, up 8 percent from the year before but less than corresponding stocks in eight of the past ten years.

Sorghum grain supplies amounted to 77 million bushels, which was less than in any of the past five years and only one-third as large as the big supply on hand three years ago.

The 1953 corn crop has been used at a fairly rapid rate. From October 1 to January 1, the total disappearance was 962 million bushels, which was 6 percent more than that in the same three months a year before.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-2/54-10,250

PERMIT NO. 1247

The three most important Illinois grain crops are partly dependent upon export markets. Prospects and problems in exporting these crops were discussed at Farm and Home Week by Mr. James S. Schonberg, who is associated with a grain marketing firm. Some of Mr. Schonberg's comments are summarized as follows:

The United States has many advantages for selling wheat in other countries. We can easily produce more than we need for food. We can produce wheat cheaply because of our favorable soil, climate, machinery and know-how. The kinds of wheat that we grow meet the needs of importing countries. And our peak of harvest movement fits in well between the heavy flows of wheat from other countries.

Wheat exports are normally a balance that keeps supplies and demand in step. Large supplies bring lower prices, and these in turn attract foreign buyers whose purchases of our grain keep burdensome surpluses from building up.

The world export markets take some 900 million bushels annually. This compares with an average world production of 6,500 million bushels and with an average U.S. crop of 1,100 million bushels.

To sell wheat for export, we must offer it at prices that are competitive with those of other exporting countries, especially Canada and Australia.

If our prices are kept too high, importing countries will fill their needs elsewhere. Wheat can be grown in more places in the world than probably any other staple food.

Soybean exports are often important market factors. Biggest shipments in any one year were 79 million bushels, compared with an average production of 275 million bushels. Illinois farmers, located close to processors, supply U.S. needs, while beans grown in the South and East are more often exported. Canadian buyers prefer Illinois beans.

(Continued on other side)

(Continued from other side)

Manchuria formerly was the leading exporter of soybeans, but political disturbances in Asia have greatly reduced that outflow.

Illinois farmers are in a good position to produce and sell corn for export. They sell more corn than farmers of any other state. They have relatively cheap transportation by rail and by water.

Exports of corn during the past season totaled 140 million bushels, the largest since the war. This amount was equal to nearly one third of the total harvested in Illinois.

Argentina is our chief competitor in the world corn market. Production in that country is quite erratic, but there is a good crop in the making now. Shipments from Argentina are expected to be large after April 1.

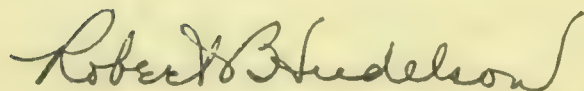
Corn can now be sold abroad without subsidy, although such sales return less than the U.S. support price to farmers.

Grain sorghums have about the same uses as corn and are an important crop in the Southwest. Exports reached 75 million bushels in 1950. Restrictions on acreages of cotton and wheat mean more acres of grain sorghums. A much larger proportion of grain sorghums than of corn is sold off farms. These facts seem to indicate that the price-support production-control program now in effect will give much of the Illinois corn growers export market to the producers of grain sorghums.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-2/54-10,251

PERMIT NO. 1247

Cattle numbers climbed 1 percent during the past year in spite of a record large slaughter. The increase was largely in dairy stock. Numbers of beef cattle showed no important change. These figures show that the nation's farmers are in a position to furnish about the same amount of beef in 1954 as they did in 1953.

The U. S. Department of Agriculture report placed the number of cattle and calves on farms and ranches January 1 at 94.7 million head compared with 93.7 million head a year before. The increase of a million head carried cattle numbers to a new record high.

The current upswing in cattle numbers began in 1949, when the year opened with 76.8 million head. During the five years since the upturn began, there has been an increase of 18 million head, or 22 percent. The present upswing has carried the total 11 percent above the peak of the previous record cycle peak of 85.6 million head set in 1945.

The government report listed hog numbers on farms January 1 at 48.2 million. This number was 11 percent less than that of one year before, and it reflected the smaller 1953 spring and fall pig crops. The reduction in numbers of hogs on farms means 10 to 15 percent less pork for consumers. The reduction will continue to about next August. Farmers plan to have 6 percent more sows farrow this spring than they had last year.

Farmers started this year with about 24.7 million milk cows. This number is 3 percent more than were on hand one year before. Milk production in January was 9.2 billion pounds, up 6 percent from 12 months before and the highest on record for the month.

Numbers of sheep and lambs decreased again in 1953 for the second consecutive year. The drop amounted to about 3 percent, bringing total numbers down to 30.9 million head, the lowest number reported since 1950.

(Continued on other side)

(Continued from other side)

Numbers of horses and mules continued to dwindle in 1953. The number on farms January 1 of this year is listed as 5 million. This is a decline of 9 percent for the past year and 81 percent since the peak of horse and mule popularity in 1918.

Chickens on farms January 1 numbered 439 million head, up 2 percent from a year earlier. Egg production in January was 5,448 million, or 1 percent more than in 1953.

Turkeys were listed at 5.3 million, the same as last year. Farmers report that they plan to boost turkey production by 7 percent this year. The expected increase for light breeds is 9 percent, and for heavy breeds, 6 percent.

Total livestock and poultry on farms at the beginning of this year was 1 percent less than one year before. The reductions in hogs and horses more than offset the small increases in cattle and poultry. The decrease in total livestock during the past year was the first since 1949. The cut-back in livestock numbers, especially hogs, intensifies the problem of large grain stocks.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-2/54-10,250
PERMIT NO. 1247

As we told you before, the annual government report showed that total cattle numbers increased 1 percent during the past year in spite of a record-large slaughter. We now have some additional important figures to pass on to you. They show that beef production may run a little less this year than in 1953, but that farmers are fixed to produce beef on a big scale during the next few years.

Here are some of the important details regarding numbers of beef cattle on U.S. farms and ranches:

1. Numbers of steers dropped sharply during the past year. On January 1 of this year, farmers and ranchers had on hand 8.1 million head of steers one year old and over. This number compares with 9.0 million a year earlier, 8.3 million two years ago, and around 7.0 million for each of the five years from 1947 through 1951.

On a percentage basis, the number on hand at the beginning of this year was 10 percent less than one year before and 3 percent less than two years ago, but 16 percent more than the average for the five years 1947-1951.

These figures indicate that the supply of fed cattle for this year may be 5 to 10 percent less than in 1953, but 15 to 20 percent above average.

2. Numbers of beef cows increase markedly again in 1953. The number listed on January 1 was 23.8 million head, 1.3 million more than one year before and 7.8 million more than five years ago. The percentage increase was 6 percent in the past year and 50 percent for the five-year period.

Beef cow numbers have been increasing quite steadily for 15 years. In 1939 fewer than 10.0 million cows were listed. The increase since 1939 is 13.7 million head, or 138 percent. These facts point to a record calf crop in 1954 and to continuation of high-level beef production during the next few years.

3. Numbers of beef-type heifers one to two years old showed a small decrease from the record number on farms one year ago (from 6.3 million to 6.1 million, or 3 percent). Probably most of these heifers are being kept for breeding, but some will be sold for slaughter. Our guess is that enough will be used for herd replacements to keep total numbers of cows steady during this year.

(Continued on other side)

(Continued from other side)

4. Numbers of beef-type calves increased again in 1953 for the sixth consecutive year. The number on farms on January 1, 17.2 million head, set a new record high for the fourth consecutive year. The increase in 1953 was less than 1 percent, but the increase over six years amounts to 45 percent.

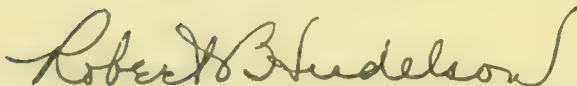
A substantial number of these calves will be fattened and sold for slaughter before the end of the year, but most of them will be held over for feeding next year or kept for breeding herd replacements. This record number of beef calves on farms shows that farmers have the makings for producing and marketing a near-record supply of beef in 1955.

L. H. Simerl
Department of Agricultural Economics

P.S. Farmers in Iowa and northern Illinois will probably market 5 to 10 percent more cattle in February, March and April than they did a year ago. This conclusion, drawn by Iowa State College, is based on a recent survey by the college and on the increase over last year in shipments of stocker and feeder cattle into the corn belt since January 1. L.H.S.

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-2/54-10,260

PERMIT NO. 1247

Herbert Hoover sees no prospect ahead for a big depression like that of the thirties. Since the former President speaks from unusual experience and study, his views merit serious consideration.

(Mr. Hoover had the unfortunate, but educational, experience of being President from 1929 through 1932. This was a period of severe world-wide depression and decline in prices. By 1932 nearly one-third of all nonfarm workers had no jobs. This depression continued in the United States for eight years after Mr. Hoover left the White House, 8 to 13 million persons being unemployed each year until 1941. The depression finally was erased by World War II.)

Concerning the present business situation, Mr. Hoover says that we have had a dip--or call it a slump, readjustment or recession--about every five or seven years. These business tides are caused by alternate epidemics of overoptimism and overpessimism. Like some diseases, they are never fatal--except to some unfortunate candidates for public office.

Conditions now are not like those that led to the depression of 1931-1941. That depression was forced by a combination of two gigantic explosives in addition to the normal ebb-tide of business.

The first of these great explosives was the total financial collapse of Europe. Practically all European banks closed. For many months we got almost no orders from Europe for farm products. Foreign owners dumped American securities to raise cash. Most countries defaulted on their debts to American banks, but they demanded that our banks pay their debts to them in gold. (Then most of the world's debts and contracts were payable in gold.) All but two nations abandoned the gold standard.

(Continued on other side)

(Continued from other side)

The second great explosive that wrecked our economic machine in the 1930's was our own weak and inadequate banking system. Actually we had 51 different banking systems--operating under state and federal laws. Many of the banks in these systems could not survive the shock.

World and United States banking systems are much more flexible now than they were 25 years ago, and they will not break with explosive force as they did around 1930. Since we have no such destructive forces around now, you can have confidence that this is only a passing adjustment, not a great depression.

Mr. Hoover believes that our industrial plants can support the present standard of living--and more. The excess, plus some dehydrated optimism, is what is causing the trouble now. Mr. Hoover believes that we should reduce taxes so that the people can buy the surplus and thus raise the standard of living another stage.

The ex-President points out that during his term the United States government spent only \$4 billion a year. Now federal expenditures amount to about \$65 billion a year. Somewhere in this increase of over \$60 billion is an opportunity that was not available 25 years ago. This opportunity is to reduce government spending and thus reduce taxes so that the buying power of all the people may be increased.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-3/54-10,325
PERMIT NO. 1247

The USDA recently released its estimates of 1953 farm income. Here is a quick summary of the report:

In 1953 farmers in the United States sold \$31 billion worth of farm products. They paid out \$22.2 billion to cover production expenses. That left them a net cash income of \$8.8 billion.

In addition, farmer operators had \$3.9 billion in noncash income from their farms, which consisted of home-raised food and rental value of farm houses (\$2.1 billion in home-produced food and \$1.8 billion in rental value of farm homes). This noncash income was equal to 43 percent of net cash income.

Farmers often overlook the rental value of their homes when reckoning their income. Typical city families pay out one-fifth to one-fourth of their incomes for rent. And generally they must use taxable income to make the payments.

Now for some comparisons: Farmers' receipts from farm marketings were about four percent less in 1953 than in the previous year. Production expenses were off a bit less than four percent. Net cash farm income was down five percent from the 1952 level and off 13 percent from the 1951 figure. But it was four percent greater than in 1950, the lowest year since the war.

Except in 1951, net farm income has declined each year since 1947. The 1951 exception occurred when inflation set in along with the disturbance in Korea.

The value of farm inventories--crops and livestock on hand--was marked down by nearly \$700 million in 1953. This decline was in sharp contrast with conditions in the previous year, when inventories were boosted by about the same amount. These inventory changes made farm operators' total net income 14 percent lower in 1953 than in 1952.

(Continued on other side)

(Continued from other side)

The business nature of modern farming is shown by the large cash production expenses in relation to income. For every dollar farmers received they laid out 72 cents to cover production costs and were able to keep only 28 cents for themselves.

The importance of animal agriculture in the national food supply is shown by the figures for 1953. Farm receipts from the sale of livestock and livestock products totaled \$17 billion, while food crops brought in less than \$6 billion. Thus the sales of animals and animal products brought in three times as much as sales of crops used for food. The big end of the nation's grocery bill is for beef, pork, milk, butter, eggs, and poultry.

Cash receipts from marketings from Illinois in 1953 are estimated at \$1.9 billion, or five per cent less than in 1952 and 1951. Illinois ranks fourth among the states in farm income. The three higher states and their cash receipts were California, \$2.6 billion; Iowa, \$2.3 billion; and Texas, \$2.0 billion.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-3/54-10,460

PERMIT NO. 1247

Many young farmers have started farming for themselves during the past ten years. A large proportion of these young families feel that times are pretty tough. They find that bills are harder to pay than they were five years ago. They are having to buy more carefully and in many cases adjust to a lower standard of living.

While the younger folks feel pinched--the popular word now is "squeezed"--mom and dad may look on and wish that they could have had things as good when they were younger.

How does the present farm situation compare with prewar? A recent report on the Farm Cost Situation, from the United States Department of Agriculture, provides many answers to this question. Let's check some of the changes since 1940. That year was typical of the better years of the 1930's, and it was the last year before the wartime inflation set in.

Average prices of things farmers use in production are about double those of 1940. Total production expenses have jumped from \$6.6 billion dollars to \$22.6 billion, or have been multiplied 3.4 times.

Farms today have one-fifth fewer workers than they had in 1940, but these one-fifth fewer workers produce 30 percent more total output.

Hour for hour, the 1953 farm workers turned out 57 percent more than the 1940 workers did. On a man-for-man basis, farmers today produce two-thirds more than did the farmer of 1940. If we have not slipped up somewhere in our figures, the average farm worker put in about eight percent more hours in 1953 than in 1940.

Each hour of farm work in 1953 brought in 3.85 times as much gross farm income as in 1940. Farmers who hired labor in 1953 paid wage rates four times as high as those of 1940. Probably no group of wage earners in the United States has had such large proportional wage increases as farm laborers.

(Continued on other side)

(Continued from other side)

Cost of living (consumers' price index) has not quite doubled, so the wages of hired farm workers buy about twice as much as before the war.

In 1953, average prices received by farmers were equal to 92 percent of parity compared with 81 percent in 1940.

The total net income of all farm operators would buy about 30 percent more in 1953 than in 1940. But the number of operators and other family workers declined by one-fifth from 1940 to 1953. This makes the buying power per family worker about two-thirds greater in 1953 than in 1940.

Farmers often ask about how other groups are doing. Here are some figures for comparison:

Average factory workers earned \$25.20 a week in 1940 and about \$71.50 in 1953. The buying power of the workers' dollar shrank 48 percent during this period. Thus the wages of the factory worker increased one-half in purchasing power from 1940 to 1953.

Coal miner's pay averaged about \$25 a week in 1940 and \$86 in 1953. The purchasing power of his weekly earnings increased by four-fifths, but he worked one-fourth more hours to earn his pay. For the wages earned in an hour, the miner could buy about 60 percent more in 1953 than in 1940.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-3/54-10,488
PERMIT NO. 1247

Farmers are increasing their production of eggs, chickens and turkeys. Good profits last year have encouraged an expansion that is bringing lower prices for all major poultry items.

First part of the poultry industry to suffer was the broiler business. More recently prices for eggs have been declining, and by next fall returns from turkeys will probably not be satisfactory to many growers.

BROILERS. Prices for broilers ranged from 25 to 30 cents a pound through most of 1953, but dropped to around 18 cents at the year end. At this level a pound of broiler was worth only as much as 3.5 pounds of feed compared with 5.8 pounds the year before and a two-year average (1952-1953) of 5.1 pounds.

Marketing and slaughter of broilers continued to increase during the winter, probably reaching a record high in March. Prices have recovered to some extent. The average so far in 1954 has been around 23 cents a pound compared with 28 cents a year ago.

Despite the low prices for broilers, placements of chicks continued at record or near-record levels throughout February and March. About 8 percent more were placed this year than last.

Reduced supplies of pork, and possibly of corn-fed beef, will help to make a market for broilers during the next few months.

EGGS. Prices of eggs held up better than usual this past winter. They continued strong into February this year, whereas they often begin to slide in December or before. Production increased slowly this winter, probably because pullets added to flocks were hatched later than usual.

Birds in farm laying flocks on March 1 numbered about 367 million--3 percent more than were on hand the year before. These birds were laying at a rate of 58 percent against 55 percent in 1953. Total daily egg production was 212 million, up nearly 8 percent from 1953.

(Continued on other side)

(Continued from other side)

Egg production usually hits its peak for the year in April. Peak output this year seems likely to be 8 to 10 percent over year-before figures.

Stocks of storage eggs, in shell and frozen, in 35 principal cities totaled only 704,000 cases on March 6 compared with 826,000 in 1953 and 1,762,000 in 1952.

In mid-March egg prices were 6 to 9 cents under year-before levels in several markets. The prospect of continued high level output will probably hold prices a little below year-before figures during the rest of this year.

Hatchings for laying flock replacements were moderately larger this winter than the year before. This fact points to a slight increase in laying flocks next fall and winter.

TURKEYS. Last December farmers reported that they expected to increase turkey production by 6 percent this year. It now seems likely that the increase will exceed 6 percent, especially in the light breeds and winter-hatched poults. The USDA now expects turkey production to increase by at least 13 percent and to exceed the record output of 1952. In that year the government bought 6 percent of the turkey crop to support prices.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-3/54-10,532
PERMIT NO. 1247

Farmers are boosting pork production a little more than they reported last December 1. At that time U. S. farmers said that they would increase farrowings this spring by only 6 percent. But on March 1 farmers in six corn-belt states reported an increase of 9 percent. Last December these had indicated a 6 percent increase, the same as the United States. These states--Iowa, Illinois, Indiana, Minnesota, Wisconsin and Kansas--produced 57 percent of the spring pigs last year.

BIG INCREASE IN WINTER PIGS: The official spring pig crop includes all pigs saved between December 1 and June 1. Most of the increase in spring pigs this year was really in winter pigs--pigs farrowed from December 1 to March 1.

In the six states 1,041,000 sows farrowed this past winter--39 percent more than 12 months before.

Illinois farmers have been prominent in increasing the number of winter pigs. Illinois had 256,000 litters, 51 percent more than last year. Iowa had 320,000 litters, 43 percent more. Indiana reported 280,000 litters, an increase of 24 percent.

LITTLE CHANGE IN SPRING FARROWINGS: From March 1 through May, 3,517,000 sows are expected to farrow in the six states. This number is only 2 percent more than the 1953 total for the same three months.

Government forecasters do not estimate the spring pig crop until next June. However, if farmers save a normal number of pigs per sow, the 1954 spring crop will be 6 or 7 percent larger than that of last year. Reports made last December indicated an increase of 4 percent.

The expected increase in pigs saved is less than the increase in sows farrowing, because farmers saved an unusually large number of pigs per sow last spring.

SUMMER PIGS: Farmers in the six states surveyed expect to have 1,508,000 sows farrow from June 1 through August. This number is 5 percent more than farrowed in those months last summer. Farrowings during these three months usually make up about half of the total fall pig crop.

(Continued on other side)

(Continued from other side)

If the spring pig crop for this year turns out, as is now expected, 7 percent larger than last year, it will total nearly 54 million. This would be smaller than any of the four pig crops from 1949 through 1952 and 7 percent smaller than the average of the ten years 1943-1952.

An increase of 7 percent in the supply of hogs ordinarily brings a decline of 10 to 12 percent in the prices from the previous year. Thus it seems likely that prices of hogs next fall will average \$2.00 to \$3.00 per hundred pounds lower than the prices of last fall. This expectation is based in part on the belief that consumer demand for pork will be about the same as it was 12 months before. The lower prices would mean less profit than last year, but still a nice return to efficient producers.

L. H. Simerl

Department of Agricultural Economics

P.S. You are invited to the University of Illinois for Swine Growers' Day Thursday, April 15.

Visit the Swine Farm and experiments from 8 to 10 a.m. Program in the University Auditorium starts at 10 o'clock. You will hear latest research reports and talks on crossbreeding, breeding practices, management methods and facts about meat-type hogs. New circular on hog production will be distributed. We hope you can come. L.H.S.

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-3/54-10,510
PERMIT NO. 1247

Many young farmers have started farming for themselves during the past ten years. A large proportion of these young families feel that times are pretty tough. They find that bills are harder to pay than they were five years ago. They are having to buy more carefully and in many cases adjust to a lower standard of living.

While the younger folks feel pinched--the popular word now is "squeezed"--mom and dad may look on and wish that they could have had things as good when they were younger.

How does the present farm situation compare with prewar? A recent report on the Farm Cost Situation, from the United States Department of Agriculture, provides many answers to this question. Let's check some of the changes since 1940. That year was typical of the better years of the 1930's, and it was the last year before the wartime inflation set in.

Average prices of things farmers use in production are about double those of 1940. Total production expenses have jumped from \$6.6 billion dollars to \$22.6 billion, or have been multiplied 3.4 times.

Farms today have one-fifth fewer workers than they had in 1940, but these one-fifth fewer workers produce 30 percent more total output.

Hour for hour, the 1953 farm workers turned out 57 percent more than the 1940 workers did. On a man-for-man basis, farmers today produce two-thirds more than did the farmer of 1940. If we have not slipped up somewhere in our figures, the average farm worker put in about eight percent more hours in 1953 than in 1940.

Each hour of farm work in 1953 brought in 3.85 times as much gross farm income as in 1940. Farmers who hired labor in 1953 paid wage rates four times as high as those of 1940. Probably no group of wage earners in the United States has had such large proportional wage increases as farm laborers.

(Continued on other side)

(Continued from other side)

Cost of living (consumers' price index) has not quite doubled, so the wages of hired farm workers buy about twice as much as before the war.

In 1953, average prices received by farmers were equal to 92 percent of parity compared with 81 percent in 1940.

The total net income of all farm operators would buy about 30 percent more in 1953 than in 1940. But the number of operators and other family workers declined by one-fifth from 1940 to 1953. This makes the buying power per family worker about two-thirds greater in 1953 than in 1940.

Farmers often ask about how other groups are doing. Here are some figures for comparison:

Average factory workers earned \$25.20 a week in 1940 and about \$71.50 in 1953. The buying power of the workers' dollar shrank 48 percent during this period. Thus the wages of the factory worker increased one-half in purchasing power from 1940 to 1953.

Coal miner's pay averaged about \$25 a week in 1940 and \$86 in 1953. The purchasing power of his weekly earnings increased by four-fifths, but he worked one-fourth more hours to earn his pay. For the wages earned in an hour, the miner could buy about 60 percent more in 1953 than in 1940.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-3/54-10,488
PERMIT NO. 1247

Poultry and Dairy Prices Slip Most

Average prices of U. S. farm products at mid-March showed a decline of 3 percent from the year before. This decrease compares with a drop of 8 percent in the previous 12 months and with 7 percent two years ago.

The price average for farm products in March stood at 90 percent on the legal parity scale. This level is about normal for years of relatively high employment without inflation. It is also near the average for all years, including inflation and depression, from 1910 through 1953.

Prices of several farm products are higher than they were a year ago, but most of them are about the same or lower. Important Illinois products showing largest declines are eggs, milk, (veal) calves and broilers.

Prices of broilers dropped most, 20 percent, in the year ending with March. Prices of eggs in March averaged 17 percent lower than a year earlier. Veal calves dropped 16 percent in price, while milk was down 13 percent.

Broilers went down from 32 cents a pound to 25, and eggs from 41 cents a dozen to 34. The 12-month decline took prices of veal calves from \$23.40 a hundred pounds to \$19.50, and milk from \$3.85 to about \$3.55.

All of these price declines seem to be due to an unusually rapid increase in production. No one has yet developed an acceptable plan for bringing about an orderly increase in the production of the highly important food products of animal origin. Advocates of price supports for grains claimed that they would do the trick, but they have not done the job.

Four Illinois farm products in March were priced practically the same as they were one year before. These four products are corn, wheat, oats and beef cattle. The price support program probably helped to steady prices of corn, wheat and perhaps oats, but there has been no price support program for beef cattle. The support program has caused the accumulation of unwieldy stocks of corn and wheat--especially wheat. There are no substantial stocks of beef except that on the hoof.

(Continued on other side)

(Continued from other side)

Illinois prices for corn at mid-March averaged \$1.44 a bushel, 2 cents lower than a year before. Wheat quotations averaged \$2.16, down 6 cents. Oats were listed at 75 cents, the same as 12 months earlier. Prices reported for all beef cattle in March averaged \$18.50 per hundred pounds, 20 cents lower than in 1953. (Prices for slaughter steers at Chicago averaged \$22.77 at mid-March compared with \$22.63 one year before.)

Prices for two leading Illinois farm products were sharply higher in March than they were one year back. Prices for hogs were up 22 percent, and prices for soybeans were up 16 percent. Hogs bring in more cash for Illinois farmers than any other product, while soybeans are the second largest money-maker among the crops. Prices for hogs in March averaged \$25.10 per hundred pounds compared with \$20.50 the year before. Quotations for soybeans averaged \$3.33 against \$2.88 the previous year.

Prices of both of these products are rolling along without benefit of price supports. The price of hogs was 19 percent above parity and the price of soybeans 14 percent over parity. However, supplies of both of these products are below last year and are less than normal. When production is stepped up to normal again, lower prices will be necessary to buy back their markets.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-4/54-10,510
PERMIT NO. 1247

This year may mark another major turning point in the beef cattle business. Cattle slaughter and beef production seem likely to establish a peak, and then decline in 1955 and later. Cattle numbers, which reached a new all-time high on January 1, may decline this year and next. And as beef becomes less abundant, cattle values will improve.

The cattle business runs in waves or cycles, with several years between peaks. These cycles show up in numbers of cattle on farms and in slaughter and prices. Changes in rate of slaughter bring on changes in cattle prices and in numbers on farms.

Numbers reach peak. Heavy marketings of cattle after World War II pulled numbers down to 77 million head five years ago. But marketings were extremely light in 1950, '51, and '52. By the beginning of 1953, numbers of cattle on farms and ranches had climbed to 94 million head. Slaughter increased very sharply in 1953, but numbers also crept up to 95 million. In 1953 slaughter totaled 36.7 million head, a new record high, and one million head were added to numbers on farms.

Slaughter increasing. Slaughter of cattle and calves shows another big increase this year. For the first three months nearly one-fifth more were slaughtered than in the first quarter of last year. We do not expect the remainder of this year to show such a large increase over 1953, but slaughter of both cattle and calves seems likely to be much larger than the record kill of 1953.

Pastures and feed lots are well filled with cattle being fattened for market before the end of this year. Shipments from eight principal markets during the past three months were about two-fifths larger than last year, and even larger than in 1952.

Drouth is forcing many cattle to market. Despite local April showers, drouth continues its deathly hold on many areas. Most of the U. S. has had less than normal rainfall since last September 1. Driest areas are the southern Great Plains--Texas, New Mexico, Oklahoma, Kansas,

(Continued on other side)

and Colorado. The drouth not only prevents the growth of pastures, but also brings severe shortages of water for the cattle. In some areas grass is available, but water supplies for cattle are inadequate.

These present conditions and recent high rates of slaughter suggest a total kill this year of 40 to 42 million head of cattle and calves. Such a kill would cut cattle numbers by two to four million head by next January 1.

Slaughter of cows up. Last year the big increase in cattle slaughter was in steers, while the slaughter of cows and calves was very low. This year slaughter of steers has continued large, but the big increase in slaughter has been in cows, heifers, and calves.

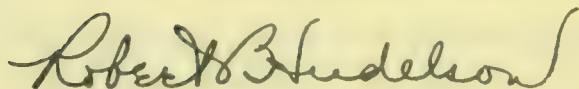
Slaughter of she-stock has not been excessive, but it has been great enough to check the increase in breeding cattle.

The supply of beef dipped to 55 pounds per person in 1951 and jumped to a record 76 pounds last year. Supplies of beef during the first three months of this year were about 10 percent greater than in the same months a year before. Nothing now in the picture points to any shortage, but supplies may become less abundant after this year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-4/54-10,600
PERMIT NO. 1247

Recent government reports confirm the fact that the supply of fed cattle will continue large for several months. Here are the basic facts from the official reports of cattle on feed April 1:

1. Farmers in 11 corn-belt states had nearly 3 million cattle on feed April 1. The number was 1 percent less than the year before, but 18 percent more than two years before.

2. Farmers expect to market the same proportion of these cattle (46 percent) before July 1 as they marketed last year. Indicated percentage distribution of marketings for April, May, and June is quite uniform and about the same as it was last year. Percentages for each month are as follows: April, 14; May, 16; and June, 16.

3. Cattle now in feedlots have been fed for a much shorter time than those in feedlots a year ago. Last year 76 percent of the cattle had been on feed more than three months compared with only 66 percent this year. These figures indicate that market supplies of grain-fed cattle will hold up through the summer better than they did last year, and a midsummer jump in prices such as occurred in 1953 is therefore not likely.

4. The number of steers on feed April 1 was the same as in 1953. The proportion on feed in the 11 corn-belt states was 69 percent compared with 68 percent last year. This increase in percentage of steers about offsets the over-all decrease of 1 percent in total cattle on feed in the corn belt. Feeding of heifers has increased by one-eighth. A year ago heifers made up 15 percent of the total; this year, 17 percent. Number of calves on feed has been cut nearly one-fifth from last year's figure. Calves made up 17 percent of the large 1953 total and only 14 percent of the 1954 total.

5. Cattle feeders outside the corn belt have cut feeding operations more than farmers in the corn belt. California, for example, cut 13 percent under last year. Reports indicate that total cattle on feed in the United States on April 1 was 2 or 3 percent less than a year ago.

(Continued on other side)

(Continued from other side)

6. Farmers in the corn belt bought stockers and feeders at a record rate during the first three months of this year. Shipments into the nine states for which records are available show an increase of 51 percent over 1953 figures and about 35 percent more than in 1952 and 1951.

7. Weights of cattle on feed are available only for the three big cattle-feeding states-- Iowa, Nebraska, and Illinois. In these states farmers are feeding 7 percent more of the popular 600 to 900 pound weights than last year and correspondingly less of both lighter and heavier cattle.

- - - - -

Even though farmers are grain-feeding slightly fewer cattle than they were a year ago, the supply of beef for the next several months may be moderately larger than it was in 1953. The additional supply can come from cows and other cattle slaughtered without grain feeding.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-4/54-10,600

PERMIT NO. 1247

ILLINOIS
FARMERS'
OUTLOOK
LETTER

LOWER FARM PRODUCTION TO BRING LESS INCOME

URBANA,
ILLINOIS
APRIL 28,
1954

The USDA now expects farm income for 1954 to be 4 or 5 percent less than it was in 1953. The Department points out that prices of crops average a little lower than they did last year, and the volume of sales will probably be smaller.

The volume available for sale will be cut by acreage controls and probably by drought. Ordinarily, small crops are offset by higher prices and therefore farm income does not suffer from reduced production. However, when stocks have accumulated under price supports, reduced production brings little or no increase in prices and farm income declines with reduced output.

Farmers' cash receipts from farm marketings were about 3 percent less for the first quarter of this year than last year. Income from corn and other feed crops was up about one-eighth on account of a larger volume of sales. Returns from the sale of meat animals and poultry were about the same. Sales of milk, wheat, cotton, tobacco, and vegetables brought in less than in the corresponding part of 1953.

Illinois farmers seem to be doing a little better than farmers in most other states. Cash receipts from farm marketings in Illinois in January and February are estimated at \$287 million--2 percent more than in corresponding months last year. Some of this increase in income is probably due to increased sales from the good 1954 corn crop. Cash receipts from farm marketings include income from CCC loans on grain.

Average prices of farm products seem likely to hold rather steady during the next few months. Price stability is expected because (1) prices of farm products are now about in normal balance with prices of nonagricultural products; (2) the general business situation is well stabilized; and (3) price-support programs tend to hold up prices, while sales of government stocks tend to check price advances.

(Continued on other side)

(Continued from other side)

Some sag in crop prices is likely to develop at harvest time, and prices of hogs will slide during the late summer and early fall.

The demand for food has not been reduced by the decline in employment, according to the USDA. The Department points out that consumer incomes available for spending during the first quarter of 1954 were near the record levels of 1953. Loss of income on account of unemployment has been almost entirely offset by reduction in income taxes and by increased unemployment compensation payments.

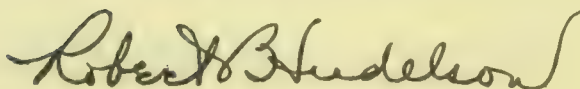
The business readjustment has developed about as was expected. During 1953 industrial production was greater than sales, and warehouse stocks piled up. Some workers were laid off during the fall and winter. So far this year sales have exceeded production. Inventories have been reduced, but further reduction may occur. Consumers bought heavily on installment deals in 1953, but they have been reducing their indebtedness in recent months.

Exports of farm products so far this year have been near 1953 levels. During the past 12 months they have totaled around \$2.8 billion, or about \$1,400 for each commercial farm in the U. S. (Commercial farms are those that make a business of producing farm products for sale and that produce at least \$2,500 worth of products per year.)

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-4/54-10,600
PERMIT NO. 1247

Total U. S. corn stocks on April 1 were at a new record high of nearly two billion bushels. This total was 11 percent greater than that of last year and 2 percent above the previous record set four years ago.

DISAPPEARANCE. Disappearance of corn from October 1 to April 1 totaled 1,651 million bushels--a shade less than last year and the smallest amount to disappear in five years. Most of it (962 million bushels) occurred from October through December, when 6 percent more was used and exported than in the previous year. Disappearance in the second three months was 10 percent less than the previous year's figure. This reduction reflects a smaller number of hogs on farms, some reduction in feeding beef cattle and smaller exports.

It seems likely that a little more corn will disappear from April 1 to October 1 this year than last. More hogs and poultry are being produced and more beef cattle fed, and they use lots of corn. On the other hand, there are fewer horses and mules to feed, and less of the crop will be exported this year.

CARRY-OVER. If 6 percent more corn disappears April 1 to October 1 this year than last, there will be about 900 million bushels to carry over next fall. Last fall USDA officials forecast a carry-over of this size. Such a carry-over would be a new record--17 percent more than last fall and 6 percent more than the record in 1950. A normal carry-over is about one-tenth of a crop, or 300 million bushels.

PLANTING PLANS. Farmers are planning to plant 81 million acres to corn this year, the same amount as in 1953. Acreage reduction in the corn belt is being offset by increases in the South and in other areas. Acreages of other feed grains are being increased, according to farmers' planting intentions on March 1. Plans then called for increases of 7 percent in oats, 28 percent in sorghums and 47 percent in barley.

(Continued on other side)

(Continued from other side)

DISTRIBUTION. April 1 stocks were distributed as follows: on farms, 1,469 million bushels; in CCC (Commodity Credit Corporation) bins, 399 million bushels; and in mills and elevators, 120 million bushels. The CCC also owned about 125 million bushels in mills and elevators, making its total around 425 million.

About 170 million bushels of the CCC corn stock is from 1948 and 1949 crops. From last October 1 through April 2, the government sold 65 million bushels of this old corn. Sales averaged about 2 1/2 million bushels a week. Of this amount, 40 million bushels were no longer suitable for storage, 20 million bushels were sold under the Emergency Drought Relief Program and five million bushels were sold for export.

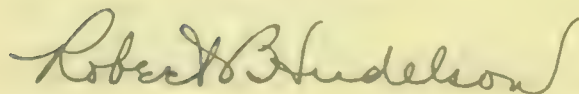
PRICE SUPPORTS. Of the 1,469 million bushels on farms April 1, farmers had by March 15 taken price-support loans on 332 million bushels, or 16 percent. This amount compares with 270 million bushels placed under loan in the same period of 1953 and with the record total of 551 million bushels of the 1948 crop.

Farmers can get price-support loans until May 31. Or, if a farmer does not want cash, he can get a purchase agreement (price insurance) for 1/2 cent a bushel.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-5/54-10,600

PERMIT NO. 1247

Most prices have been remarkably steady during the past 12 months. Recent averages show changes of one percent or less from one year ago. We may hope--but it is not likely--that prices will show the same stability during the year ahead.

The index of wholesale prices of all commodities in early May was up one percent from that of one year before. The average of prices paid by farmers in April was up less than one percent, while the average of prices received was down less than one percent.

GOVERNMENT POLICIES. This price stability of the past year was, in part at least, the result of government policies and programs. Early 1953 was a period of full production and strong demand. For a time it appeared that demands would exceed supplies of available goods and set off a new wave of inflation. Government policy then was to restrict credit expansion and prevent inflation.

Later, demands for goods diminished and markets turned soft. Government policy then was changed to prevent deflation. Credit was made more readily available, and taxes were reduced in order to add to the purchasing power of business firms and individuals.

Government price support for farm products also tended to stabilize prices. Prices of wheat, cotton, and dairy products especially were sustained by government loan and purchase programs.

LESS STABILITY. We suppose that future government policy will be directed at continuing price stability. However, it seems unlikely that the years ahead will bring stability equal to that of the past year. There are at least three reasons for expecting more price change in future years:

First, history shows constantly changing price levels, especially in recent times. Second, the tools available for maintaining price stability are not well enough perfected to hold prices on a perfectly level course. Third, attempts to attain other national goals, such as full employment, may bring some changes in the price level.

(Continued on other side)

(Continued from other side)

Government policies and programs are effective in establishing price levels. During war-time, increases in government credit and spending boost prices. At the end of World War II, government policy aimed at preventing deflation was overdone, causing prices to go up instead of down.

MAY ASK TOO MUCH. Recently there has been much agitation for the government to "do something" to increase employment and raise prices of farm products. Perhaps some such action is needed, but there is a real danger that it may be too much and too early. Certainly it would be a very dangerous policy for the government to try to provide every worker with the kind of job he wants and to support prices of farm products at levels satisfactory to every producer.

On the other hand, Congress has the constitutional responsibility to provide an adequate supply of money and credit and to regulate its value (stabilize the price level).

Both Congress and the president recognize their responsibilities in economic stabilization. They cannot, however, meet these responsibilities properly if we demand too much from them.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-5/54-10,610

PERMIT NO. 1247

Inventories Cut While Construction Booms

The business adjustment is proceeding about as foreseen last fall. The central process is the reduction of stocks in the hands of manufacturers, wholesalers and retailers. These businessmen have been reducing their inventories at a rate of about 100 million dollars a week. This process is in sharp contrast with that of a year ago, when businessmen were adding to their stocks of goods.

The important point is this: Factories do not run when sales are being made from inventories. And idle factories make idle workers. Selling from inventories also reduces employment in mining and transportation.

The change from inventory build-up a year ago to stock reduction this year put over two million people out of work. This number is more than equal to the increase in unemployment over the very low of a year ago.

One other important adjustment is taking place: Individuals are paying off their installment debts faster than they are contracting new ones. Thus both individuals and businesses are getting into a position to increase their purchases. These purchases, in turn, will provide employment.

The reduction in inventories is perhaps a little greater than was expected last fall. On the other hand, the general economic situation is as strong as was forecast, or stronger.

Total personal income in 1954 has been equal to that received in 1953. Disposable income--what is left after taxes--has been running one or two percent more than that of 12 months before.

The construction business, which shrinks severely in depressions, is having a good year. Home construction may reach 1.1 million this year, according to recent indications. This number of homes would be a little more than were built last year, and the second largest on record. Better values and easier credit terms are helping sales of new homes. Better values are available because many workmen are giving more service for a day's pay than they did last year. Easier credit is available because the government has shifted its policy and because people are putting more money into savings accounts, building and loan associations and insurance companies, and these funds must be invested.

(Continued on other side)

(Continued from other side)

Most other types of construction are scheduled for boom levels again this year. This trend is shown by the volume of contracts that have already been signed. For the first four months of this year, construction contract awards are reported to be 8 percent greater than the record high of those months last year. These tabulations are made by the F. W. Dodge Corporation, well-known construction news analysts. Their calculations apply to 37 states east of the Rocky Mountains. Figures for the western states would probably show a greater increase.

These and other reports from private sources confirm the results of government surveys of building and construction planned for this year.

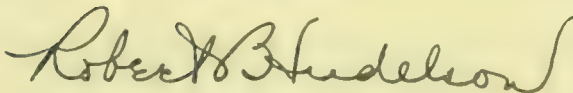
Of course, activity in a few lines of business is low and shows no signs of picking up. This condition is normal in any rapidly changing and progressing economy. In the same way several new industries are expanding very rapidly. Some people, and some firms, are in the process of changing from shrinking to expanding industries.

But add it all up and you will find that business has seldom been better than in recent months.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EF278-5/54-10,707
PERMIT NO. 1247

Sales of hogs last year brought Illinois farmers 489 million dollars--more than any other product. Thus Illinois farmers' number one market interest is the market for hogs. So let's look at this market and its prospects.

Every hog producer knows that hog prices have been unusually high for a year or more. Some producers believe they have been too high. Others may agree later when they see prices tumble as a result of a sudden increase in production.

Hog prices in April and May averaged around \$27 to \$28 a hundred pounds--\$2 to \$4 higher than last year and about \$5 above the expected normal for that time of year.

The hog-corn ratio (bushels of corn equal in value to 100 pounds of hogs) was around 17 and 18 compared with a normal of around 12. At the same time hog prices averaged 128 percent of parity in April and nearly the same in May.

Big reason for the abnormally high prices for hogs was restricted output. Prices were unsatisfactory two and three years ago. Producers were first disappointed and then became discouraged. Many quit the hog business and sold their corn to Uncle Sam. Over a two-year period they cut production by one-fifth.

This drastic action brought a sharp rise in prices of hogs, far greater than most farmers expected. But the cost of this price increase was great--the loss of one-fifth of the market for pork. Now hog production is increasing, and late this summer producers will begin to buy back the market for pork.

Usually August brings the best prices for hogs, and many farmers race for this market. This year the race started earlier and is faster than usual. About one-fourth of the spring pig crop was farrowed before March 1 compared with less than one-fifth a year before. (Farrowings after March 1 are indicated to be only slightly greater than last year.)

Most of the February pigs will be ready for market in August. Some early winter pigs and large numbers of sows will be on the markets in June and July. Furthermore, average weights may be considerably greater than they were last summer. These facts, together with the high level of prices already attained, will restrict the usual summer price advance.

(Continued on other side)

A recent report of the United States Department of Agriculture shows that prices of 180- to 200-pound hogs usually reach their peak around August 1. The peak this year seems likely to come from July 1 to 15 or earlier.

Prices for heavier hogs hold up a little longer. The 200- to 240-pound hogs usually peak out early in August, with the 200- to 220-pound average slipping first. Peak prices for these weights will likely occur in July this year.

Prices of 240- to 270-pound barrows hold up longer than prices of the lighter weights. They have averaged highest about mid-August and have held up well until early September. This year the heavier hogs seem likely to reach their peak in July, with a moderate decline in August.

Hog prices this summer and fall may fool a lot of "experts." Some of them have forecast much more than the normal 25 percent drop this fall. However, the spring crop seems to be spread out much better than usual, and this spread will permit market supplies to be distributed more uniformly over the next several months. Hogs may yet prove to be good property when the snow flies.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. FE278-5/54-10,705

PERMIT NO. 1247

"Good" Farms Sell at \$450 to \$500 an Acre

Illinois farm land is the most desired in all America. This fact, and many other interesting and important ones, is shown in a recent USDA report. Here are some of the highlights from the official report that was based on a survey made in March:

In central Illinois current market values for farms classed as "good" are around \$450 to \$500 an acre. These prices compare with values of \$275 to \$325 for "good" farms in northern Indiana and Iowa.

ACRE VALUE COMPARISONS. The average value of Illinois farm land in March was \$214 an acre. Iowa land values rated second at \$184 an acre. Ohio and Indiana followed at \$174 and \$172 an acre, respectively.

Three small eastern states reported higher farm real estate values than Illinois, but in those states values are set largely by residential and other nonfarm uses. Average acre values reported for these three states were: New Jersey, \$343; Connecticut, \$271; and Rhode Island, \$251.

Average acre values of farm land in other states around Illinois were: Michigan, \$118; Wisconsin, \$99; Minnesota, \$98; Missouri, \$72; Kansas, \$77; Nebraska, \$70; and Kentucky, \$91.

All average acre values listed include the value of both land and buildings.

VALUE CHANGES. Illinois land values declined about one percent from last November to March and about five percent from March 1953 to March 1954.

The recent prices for Illinois land are seven percent off the peak reached in November 1952, but 165 percent higher than in 1940.

Prices of good farms have held up better than prices for less productive land. In the best areas of the corn belt, good farms bring almost as much as they did a year ago. In these areas farmers and investors have plenty of cash and credit to take the farms at near-record prices. The market is much weaker in the fringe areas of the corn belt, in drouth areas, and in parts of the southeast and mountain areas.

(Continued on other side)

(Continued from other side)

Compared with one year before, the March survey found prices of farm land off three percent in Iowa, four percent in Ohio and Michigan, five percent in Illinois, Indiana, Wisconsin and Minnesota, and eight percent in Missouri. For the country as a whole, farm land values declined six percent. As might be expected, declines were greater in the beef cattle states than in hog and dairy states.

SALES VOLUME. Relatively few farms are being offered for sale. In the east north-central states (Illinois, Wisconsin, Michigan, Indiana and Ohio), only 28 out of each 1,000 farms were sold in voluntary transfers in the year ending with March. This number is only half as many as were sold at the peak of sales activity in 1945-46.

Transfers to settle estates amounted to 13 farms per 1,000. Forced sales (foreclosures and transfers to avoid foreclosures) involved only one farm in 1,000.

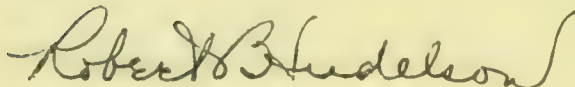
CREDIT. More purchasers used credit in buying farms in the year ending in March 1954 than in any other year since 1946. Only 29 percent of the farms were bought for cash. The dollar volume of farm mortgages recorded in the fourth quarter of 1953 was greater than for any similar period on record.

PRICE EXPECTATIONS. USDA officials believe that prices of farm land will show a further decline by next fall. Their reasons are acreage restrictions and expected lower prices for farm products. However, some increase in demand for farms has been noted since January 1.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1954

Ill. EF 278-6/54-10,629

PERMIT NO. 1247

The men who make our choice steaks and Sunday roast beef are smiling again. They are feeling better than they have felt for two or three years. The reason is that the declining prices of 1952 and 1953 have been replaced by an upward trend. Feeder cattle prices were relatively low last fall. And fat steers have recently been selling for \$1 to \$3 more per hundred pounds than they sold for last year.

A year ago cattle feeders were operating on negative margins. They had paid \$22 to \$28 a hundred pounds for feeder cattle, fattened them, and were selling the fed steers for only \$18 to \$23, a difference of \$4 to \$6. These prices meant substantial losses, because most farmers require a price advance in order to make a profit.

This year many feeder cattle were bought for \$14 to \$18 and are now selling as fat steers for \$20 to \$26. These prices make a good profit for the cattle feeder.

RECORD SLAUGHTER CONTINUES. From January to May this year about 12 percent more cattle were slaughtered than the record high of a year ago. Output of beef was about 10 percent greater than the record high of last year. Slaughter of calves in January-May was up around 20 percent, and veal production was up about 25 percent. Cattle prices have been very good, considering the large volume of beef produced.

The combined slaughter of cattle and calves in the first five months of this year was about 14 percent above last year. If slaughter continues at this rate, total kill this year will reach about 42 million. That would probably reduce cattle numbers from the record of 95 million head last January 1 to about 91 million next January 1. But it now appears likely that slaughter will not continue at this rate and that cattle numbers will be reduced only one to three million head.

(Continued on other side)

(Continued from other side)

BIG SUPPLY TO CONTINUE. Farmers were feeding 2 to 3 percent fewer cattle on April 1 this year than a year ago. But they have bought a good many replacement cattle. Corn-belt farmers apparently bought a record number of stocker and feeder cattle during January-May. Official figures, plus some guesses, indicate that purchases this year were at least two-fifths greater than in 1953 and about one-fourth greater than in 1952. These figures point to near-record supplies of fed cattle during the next several months.

Consumer demand for beef is strong and promises to continue strong throughout the summer and fall. The summer travel and vacation business will be big this year, and this means lots of orders for steaks, roasts, and hamburgers. By fall, employment may be increasing and consumer incomes look as if they may exceed the record levels of a year ago.


SUMMER PRICE ADVANCE. Increasing supplies of pork will cut into the demand for beef, but most of the price adjustment will be made on hogs rather than on cattle.

Prices of choice and prime steers advance more often in July, August, and September than in any other months. Prices of these better grades of cattle seem likely to show about the average increase this summer.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/54-10,720

PERMIT NO. 1247

How much have agricultural and related programs cost the average family? Apparently about \$1,000 since 1932, or an average of \$45 per year. This figure is calculated from a tabulation recently received from the United States Department of Agriculture.

The total costs shown in the tabulation amount to 37.4 billion dollars. They cover price supports, conservation, credit, school lunch program, regulatory activities, wartime food subsidies, agricultural products used in foreign aid programs, and agricultural research and extension work.

Presumably these expenditures were for the benefit of all the people of the nation rather than for any one group.

For the purpose of bringing the total cost figure down to comprehensible size, we divided it into an average family share. We used 37.4 million as the average number of families, figuring that around 30 percent of the families had two persons gainfully employed.

PURCHASES FOR FOREIGN AID. Foreign aid programs required the largest share of the money spent for agricultural and related programs. Expenditures for farm products under foreign aid programs totaled 16.2 billion dollars. This sum divides out to over \$430 per family. These expenditures were largest in the years 1943 through 1952, but some expenditures are listed for each year beginning with 1932.

PRICE AND INCOME SUPPORT. Payments for farm price and income supports took the second largest chunk of public money. This was a total of 7.5 billion dollars, or about \$200 per family. The programs primarily for price and income support include CCC price support programs and export subsidies, International Wheat Agreement export payments, surplus commodity disposal, Sugar Act costs, Federal Crop Insurance losses, and acreage allotment and parity payments to farmers.

CONSERVATION OF RESOURCES. Expenditures for conservation of soil and other resources took third place. Such expenditures added up to 4.6 billion dollars, or about \$120 per family.

(Continued on other side)

(Continued from other side)

WAR PROGRAMS. Fourth item, wartime food subsidies and other wartime and defense programs, also cost 4.6 billion dollars, or about \$120 per average family.

CREDIT AGENCIES. Fifth cost item is the costs to taxpayers of credit extended to farmers for rural electrification, farm purchase, maintenance, operation, and housing. These costs of credit over the past 22 years add up to 1.8 billion dollars, making an average U. S. family cost of about \$47.

SCHOOL LUNCHES, MARKET SERVICES, AND REGULATORY ACTIVITIES. Item six includes the school lunch program and marketing services and control and regulatory activities of the United States Department of Agriculture. These programs took 1.5 billion dollars, and a typical family share amounts to \$41.

RESEARCH AND EDUCATION. Agricultural research activities carried on or paid for by the United States Department of Agriculture took 3/4 billion dollars in the 22 years. These costs of research amount to about \$19 per typical U. S. family.

The federal expenditures for educational activities, carried on largely by the Extension Service, cost less than 1/2 billion dollars over the 22-year period. This amount is about \$12 per typical family.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EF278-6/54-10,950
PERMIT NO. 1247

The dairy situation is not improving, but it seems to have stopped getting worse. The reduction in price-support level on April 1 may have had some influence in bringing about this change.

Milk was being produced at a record rate of 128 billion pounds annually before the cut in price-support level. This rate was about 4 percent above that of the year before. Production increased less than usual in April and May.

Prices paid to farmers for milk have declined more than retail prices of dairy products, but it is still too early to know all the effects of lowering the price-support level.

In May the average price received by farmers for milk was \$3.50 per 100 pounds, 11 percent less than a year ago. The average price for butterfat was 56 cents a pound, or down 14 percent from last year. These declines in prices to farmers are less than the reduction of 17 percent in the support level.

Consumers apparently have received the full benefit of lower butter prices. But retail prices for cheese do not seem to have gone down as much as might be expected or as much as is needed to boost consumption. Reducing prices of cheese would probably increase consumption considerably, because there is no close substitute for cheese as there is for butter. Retail prices of fluid milk, ice cream and evaporated milk have declined slightly; purchasers of larger quantities have benefited most. Further cuts are likely, but it is still too early to tell how much reducing the price will increase consumption.

Economists generally maintain that price adjustments are effective in balancing production and use of commodities. There is some evidence that the lower level of price supports since April 1 has brought us nearer to a balance. For example, milk production did not increase so much as

(Continued on other side)

(Continued from other side)

usual this spring. Consequently the annual rate, which was at a record high last fall and winter, has dropped since April 1. Butter production declined from an annual rate of 1.8 billion pounds in March to 1.5 billion pounds in May. Likewise the output of American cheese dropped from 1.2 billion pounds in March to 1.0 billion pounds in May. On the other hand, the production and consumption of ice cream increased over last year.

There is enough butter and cheese in government refrigerators to supply all of us for 3 to 4 months. On the other hand, during the 12 months ending in April, the increase in these products in storage was equal to only about 7 billion pounds of milk, or 5 percent of total output. Thus a moderate increase in consumption of dairy products or a small decrease in output would bring production and consumption into balance. No marked improvement in prices of milk or butterfat is in sight because of the ready availability of large supplies of products competing with butter.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/54-10,950

PERMIT NO. 1247

The official USDA spring pig crop report, released late in June, shows that the spring pig crop was much earlier this year than ever before. Although 13 percent larger than last year, it was smaller than average.

Here are more details from the report and some guesses as to what they mean for the future:

1. U. S. farmers saved 56 million spring pigs from December 1 to June 1 compared with a little less than 50 million last year. This increase in supply may put prices during the late summer and early fall \$4 or \$5 below the levels of the year before.

2. Although the 1954 spring pig crop is 13 percent larger than last year's, it is small by any other comparison. Fewer pigs were saved this spring than in any of the years 1949-1952. Moreover, compared with population the spring pig crop this year is the third smallest since the Great Drouth slashed corn production in the mid-1930's. The result is that market supplies of hogs during this fall and winter will be very moderate, and prices and profits are likely to be better than average.

3. The 1954 spring crop was farrowed much earlier than any previous one. Nearly 10 million pigs were saved in February, 36 percent more than last year and 60 percent more than the ten-year average. In March farmers saved about 15 1/2 million pigs, 17 percent more than last year and 7 percent more than average. This year, for the first time in history, more pigs were farrowed in March than in April.

Most of these pigs will be ready for market at 180 to 240 days of age. Thus market supplies may increase rapidly through August and September. If hot weather or other conditions depressing to consumer demand develop at that time, hog prices will be disappointing to producers.

(Continued on other side)

(Continued from other side)

4. Farrowings after April 1 this year were comparatively small. Figs saved in April and May numbered around 24 million head, which is about the same as for last year but about one-fifth less than the ten-year average. The relatively small farrowings in these months point to moderate supplies in the late fall and early winter, and consequently to fairly good prices.

The biggest uncertainty now in the hog situation is farmers' marketing policies. Will they (1) get scared and dump light-weight, unfinished hogs in July or August when demand for pork is low, (2) sell on an orderly basis as hogs get to about 210 pounds, or (3) hold back later on in September and October and glut the market in November?

My personal guess on market trends is for unsteady prices in July and a downward trend in August and September that will bring prices near the low for the fall season. Greatest danger is excessive marketings before the weather cools off and packers are geared to handle larger volumes of hogs.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/54-10,860

PERMIT NO. 1247

When this year began some farmers, other businessmen, and public officials were feeling pretty blue. They felt that their business was bad and getting worse. The year is half gone now, and it is a good time to look around and see for ourselves how the farm situation is coming along.

The half-year ended with the farm price average taking a sharp dip of 4 percent from May to June. The official measure of average prices on June 15 was 248 (the 1910-14 average = 100). At this level the official index was nearly 4 percent lower than it was a year before.

One of the big items bringing the price average down was the slide of hog prices from an average of \$25.70 at mid-May to \$21.70 for mid-June. Other important prices slipping during the 30-day period were: wheat, off 9 cents a bushel under pressure of harvest sales; soybeans, off 6 cents from a very high perch; oats and barley, off about 3 cents a bushel each; with the prospect of a new crop ready to harvest, beef cattle, calves, and lambs also showed slight price decreases during the 30 days ended June 15.

SOME PRICES UP. As compared with one year before prices of some farm products are higher, some lower. Biggest price increases were shown by soybeans, \$3.49 against \$2.66 in 1953 and potatoes \$1.51 a bushel compared with 84 cents a bushel 12 months before. Products showing small price increases over 1 year before were: wheat, corn, tobacco, beef cattle, and calves.

SOME DOWN. Again in comparison with a year before the following products show the largest price declines: eggs 33 cents a dozen June 15 compared with 46 cents a year before; milk \$3.48 a hundred pounds compared with \$3.90 last year; butterfat 56 cents a pound compared with 65 cents; cottonseed \$51.40 a ton compared with \$61.20 in 1953.

(Continued on other side)

(Continued from other side)

PRICES AND PARITY. Measured against the parity standard the price average at mid-June stood at 88 percent. Parity is price goal for agriculture adopted by Congress in 1933. Since that time only two conditions have lifted prices to the parity goal. These conditions were (1) wide-spread extreme drouth and crop failures in 1936 and (2) inflation growing out of World War II and the affair in Korea. Except for periods of inflation the farm price average has seldom been much above 90 percent.

Parity prices are prices which will give farm products in general the same buying power that they had in 1910-1914.

PRICE SUPPORT. In recent years prices of selected farm products have been held up by government purchases through direct buying or other devices. These programs increased farm income while government stocks were built up, but now these stocks are depressing prices and forcing production controls.

Many city people believe that their grocery bills are greatly increased by price-support programs. They are mistaken in this belief. The big items in the grocery list--pork, beef, chicken, eggs, and fruits and vegetables--are produced and sold with little or no price support.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EF278-7/54-10,920

PERMIT NO. 1247

As we said last week, this year began with some farmers, other businessmen, and elected officials quite concerned with the outlook for 1954. The year is more than half gone now, and we can see what the record shows. We looked at agriculture last week and will look into other businesses this time.

OVER 60 MILLION JOBS. Much talk this year concerned unemployment. We will look at those figures in a minute, but first let's see how many people have been working.

During the first five months of this year (before school let out), the number of persons at work ranged from 60 to 61 million. These workers numbered only 1/2 million less than were employed one year before.

LOOKING FOR WORK? But increasing population and a slight reduction in the armed forces made about two million more people able and more or less willing to work. Consequently, unemployment figures, which averaged about 1 1/2 million in the first five months of 1953, averaged about 3 1/2 million in the corresponding months of this year.

Industrial production was about 1/10 lower during the first half of this year than in the first half of last year. Reduced output of steel and other raw materials and some cutback in the manufacture of finished products were factors in the decline of this index. Reduced activity in mining and railroading also figured in.

Sales have held up much better than industrial production. Total sales figures were probably around three percent less for the first half year than one year before.

INVENTORIES DOWN. In recent months sales have been greater than production. This has reduced warehouse and storeroom stocks. Where inventories were built up by five billion dollars from January to September last year, they showed a decline of one billion from January to April this year, and the decline is believed to have continued.

(Continued on other side)

(Continued from other side)

LARGE INVESTMENTS. While businessmen have cut their investment in inventories, they have continued to increase their investment in new plants and equipment. Expenditures of this kind have been running at a rate of about \$27 billion a year in 1954 compared with \$28.5 in 1953.

Governments are spending for goods and services at a rate of about \$82 billion a year compared with \$85 billion a year ago. Increased outlays by state and local governments offset part of the decrease in federal expenditures. Federal expenditures are greater than state and local outlays by a rate of about 2 to 1.

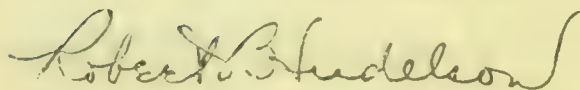
Spending for new homes is about keeping up with the 1953 pace.

PRICE STABILITY. The average level of prices of all commodities changed very little during the past 12 months. Average prices received by farmers declined about four percent (mostly from May to June), while the average of other prices is very close to the year-before level.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-7/54-10,840
PERMIT NO. 1247

Weather--and markets--have again grabbed first place in the farm league. Extreme heat and drouth have burned crops in many regions, but some areas have good prospects.

SOUTH DRY. In general, the southern half of Illinois is much worse hit than the northern half. In fact, most of the United States south of central Illinois has had less than normal rainfall since May 15. The northeastern states have also suffered from lack of rain.

NORTH BETTER. Areas of average rainfall or more this summer include northern Illinois, northern Iowa, Wisconsin, the Dakotas and the Northwest.

The drouth this year is both similar to and different from that of 1953. In general, the same areas are affected. But this year there is less subsoil moisture, and the drouth began earlier. Also, many areas have had higher temperatures this year.

CORN. In extreme drouth areas corn is showing burned tassels and whitened upper leaves, something like the damage in 1936.

How much might extreme widespread drouth cut the corn crop? The most severe drouths of modern times, those of 1934 and 1936, cut production by about one billion bushels. U. S. average corn production is about 3.1 billion bushels. A billion-bushel cut would therefore leave about 2.1 billion bushels.

A crop of 2.1 billion bushels, plus a prospective carry-over of 900 million bushels, would make a total supply of 3.0 billion bushels of corn for next year. That would be about as much as is being used this year. Thus there is no extreme shortage in sight for the year ahead even if the drouth persists and spreads.

Another point: At this writing the areas that ordinarily produce most of the market corn are not so badly hurt as those farther south. This apparently applies both to Illinois and to Iowa.

A short corn crop this year would have less than usual price-boosting influence. Price advances will tend to be limited by the large stocks of old corn, largely in government control.

(Continued on other side)

(Continued from other side)

SOYBEANS. The soybean market is much more sensitive than the corn market to news of crop development. The reason is that there is no prospect of any substantial carry-over of old soybeans this fall. The supply of soybeans for next year depends entirely on the crop that is now developing.

RANGE STATES. Severe to extreme drouth has developed over much of the western range states. Western Texas is perhaps not so badly burned as it was last year, but pastures are much poorer in New Mexico, Colorado, Wyoming, and western Kansas and Nebraska. The Northwest also has more dry areas than it had in 1953, and there are many more severe drouth areas in the east-central and southeastern parts of the U. S. As of July 1 pastures in these areas were suffering more than crops.

FEEDER CATTLE. Drouth in both the range country and the Corn Belt may be making some opportunities to buy feeder cattle at advantageous prices.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-7/54-10,845
PERMIT NO. 1247

Market supplies of fed cattle will continue large through the late summer and the fall. Prices of Prime and high Choice steers may work a little higher, but quotations on middle and lower grades will ease off.

MORE CATTLE ON FEED. The USDA quarterly report showed a few more total cattle on feed July 1 than were being fed a year before, but the number that had been on feed over six months was considerably less than last year.

For the corn belt, and for the U. S. as a whole, the official report for July 1 showed 5 percent more total cattle on feed. But detailed reports for Iowa, Illinois and Nebraska showed numbers of cattle on feed more than six months to be down 21 percent from last year.

Cattle on feed in these three states on July 1 were estimated at 1,732,000 head, 4 percent more than in 1953. Iowa reported 946,000, up 5 percent; Illinois 390,000, up 1 percent; and Nebraska 396,000, up 4 percent.

FEWER CALVES AND LONG-FED CATTLE. More steers and heifers are being fed this summer than a year ago, but fewer calves. Steers on feed numbered about 1,303,000 head, 6 percent more than a year before. Heifers on feed totaled 374,000 head, up 7 percent. Farmers were feeding only 43,000 calves, about 40 percent less than last year.

Cattle on feed more than six months totaled 813,000 head against 1,032,000 last year. Some 567,000 had been on feed three to six months, 60 percent more than in 1953. And 352,000 were reported on feed less than three months, 27 percent more than one year before.

MARKETING INTENTIONS. As of July 1, farmers intended to market about equal numbers of the cattle then on feed in August, September and after September. They indicated that they intended to ship 408,000 in August, 420,000 in September, and 487,000 after September. Compared with last year's intentions these figures show an increase of 9 percent for August, a decrease of 7 percent in September, and an increase of 8 percent for market after September.

California cattle feeders are doing a big business in short feeding. On July 1 they reported 344,000 total cattle on feed, only 12 percent less than Illinois. Of this total, 302,000, or 88 percent, had been on feed less than three months.

(Continued on other side)

(Continued from other side)

BEEF ABUNDANCE. These figures for cattle on feed point to abundant supplies of fed cattle for the late summer and fall market. On a tonnage basis, supplies may be somewhat greater than the 5 percent increase over 1953 in numbers on feed.

Weather developments may be very important in influencing market supplies of cattle during the next three months. The early summer brought varying degrees of drouth to most regions of the United States. A few midsummer rains do not make up the moisture deficit nor replace lost feed supplies. Shortage of feed and water may force more than usual numbers of cattle to market before winter. Still the outlook is fairly good.

CONSUMER DEMAND. Consumer incomes are expected to increase a little this fall as industrial activity builds up. Pork supplies will be moderately larger than last year, but smaller than normal. Pork will sell at reduced prices, so expenditures for pork will not cut much into the market for beef. Present prospects seem to call for putting plenty of finish on high-quality cattle and for pushing lower grades to market rather early.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-7/54-10,990
PERMIT NO. 1247

Carry-over of old wheat on July 1 broke the previous record by a BIG margin. The USDA reports that July 1 stocks totaled 903 million bushels, 43 percent greater than the former record of 631 million bushels back in 1943. We got rid of that surplus by feeding it to livestock during the war. What will we do with our present stocks?

The 1954 wheat crop was estimated at 988 million bushels as of July 1. Little change from this estimate is expected. Most of the winter wheat crop was made by July 1, and the spring wheat area has had good weather.

Add it up: 903 million bushels of old wheat plus 988 million of new wheat makes a total supply of 1,891 million bushels. Give or take a few million eitherway--it won't change the picture much.

How much wheat will we need this year? How does that amount compare with what we have on hand? The only important uses for wheat are for food, seed, feed and export.

FOOD. We will eat around 490 million bushels of wheat before next July 1. This figure hasn't changed much for several years--and it isn't likely to. We won't eat much more bread if the price drops a penny a loaf--nor will we eat much less if the price goes up a cent.

SEED. We need some wheat for seed--say 65 million bushels. We used 70 million bushels last year and 88 million during the two years before that. Fewer acres planted to wheat mean less wheat used for seed. There's not much chance to increase the use of wheat for seed.

FEED. Amounts of wheat used for feed vary greatly from time to time. We fed 507 million bushels in 1943-44 and around 300 million in each of the other World War II years. In recent years we have used about 100 million bushels annually for feed. We are likely to use about the same amount in 1954-55.

(Continued on other side)

(Continued from other side)

EXPORTS. We exported little wheat during World War II (too many submarines). For eight years after the war, our exports ranged between 300 million and 500 million bushels annually. Last year the total was only 215 million, and it will probably be about the same for 1954-55.

Add the probable uses of wheat: food, 490 million bushels; seed, 65 million; feed, 100 million; and exports, 215 million. The total is 870 million bushels, or less than half of the supply on hand. Thus we may have more wheat carry-over in 1955 than in 1954--probably around one billion bushels.

In recent months prices of high-protein wheats have been at or above price-support levels. But the average U. S. farm price of wheat did not rise to the support level at any time during the past marketing year. Large stocks in government hands will tend to hold prices down again this year.

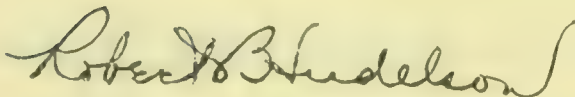
Excess stocks of wheat first began to accumulate when the price support program was started back in 1929. The carry-over increased from 112 million bushels on July 1, 1928, to 375 million bushels four years later. Then the officials decided that production controls would be necessary in order to prevent the accumulation of excessive supplies.

Now we have production controls--and the carry-over is 2 1/2 times as large as it was in 1932.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-7/54-10,995
PERMIT NO. 1247

Mr. and Mrs. America and family are eating very well again this year. The USDA recently took a peek at their table for 1954. They found it loaded as never before with good things to eat.

Beefsteak and hamburger are more plentiful on dinner plates than ever before. The USDA now estimates the total supply of beef for 1954 at 78 pounds per person, one pound more than last year's record high and 17 pounds more than the 1947-52 average. Veal chops and roasts are 20 percent more plentiful than average and 8 percent more plentiful than in 1953. Total per capita supply for this year is likely to be over 10 pounds.

Dairy products. The total supply of dairy products available for each American table this year is about the same as the postwar average. About 41 gallons of milk per person will be used as fluid milk and cream, about the same as the 1947-53 average. Per capita consumption of ice cream will be about 17 1/2 pounds, a shade less than the postwar average but 80 percent more than prewar, 1935-39. An average share of cheese will be 4 1/2 pounds, a little more than in the postwar average and a third more than prewar. Use of condensed and evaporated milk will average nearly 17 pounds. Use of these products climbed to 20 pounds per person after the war, but is now back to the prewar level.

Fats and oils. Butter consumption is estimated at 9 pounds per person this year. It was 8.6 pounds in 1952 and 1953 and 16.8 pounds in 1935-39.

Purchases of margarine will average about 8 pounds. This is about the same as in 1953, but three times as much as before World War II.

The use of lard will be about 10 pounds per person, a bit less than average. Use of shortening shows a slow upward trend and probably will be near 11 pounds this year. Use of other edible fats and oils is increasing from a 6-pound average before the war to over 9 pounds this year.

Poultry and Eggs. An egg a day keeps hunger away--until noontime for many people. The average person will put about 412 eggs away this year--fried, scrambled, poached and in birthday cakes and other baking. The per capita supply this year is 3 percent more than in 1953 and over one-third more than in 1935-39.

(Continued on other side)

(Continued from other side)

Fried chicken is more popular than ever. The supply of chicken of all types will average about 24 pounds per plate this year, almost twice as much as before the war.

An average portion of the great American holidaybird will be 4 1/2 pounds. This is the same as the record supply two years ago--and more than twice as much as in 1935-39.

Fruits and vegetables. There is an abundant supply of most fruits this year. Our average family will buy less fresh fruits than formerly, but more in cans and frozen than in previous years.

Supplies of white potatoes and sweet potatoes are about the same as last year, but our American family does not want so many potatoes as it did 20 years ago.

Supplies of other fresh, canned and frozen vegetables are equal to or larger than the abundant supplies of 1953, and there are about 10 percent more per person than in prewar years.

Staples. The law will allow our family to have an average supply of sugar, about 96 pounds per person. Flour this year will average only 126 pounds per person--compared with 157 pounds in 1935-39. Coffee scarce? Sixteen pounds per person this year compared with around 16 1/2 pounds in each of the past three years.

Yes, our American family is eating better than ever before.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-8/54-11,020
PERMIT NO. 1247

CORN is king--in Illinois. But on many Illinois farms this year the king is dead--or mighty sick. Many farmers in the northern half of the state have prospects for the best corn they have ever produced. They got more than normal rainfall during the spring and summer. Top yields in this area should be around 100 bushels an acre. There is also some good corn in the 10 or 12 counties in the extreme southern tip.

In between these good areas are about 30 counties--one-fourth of the state--where most of the corn is a near or total failure. This area has been dry for two or three years. In general, greatest drouth damage has occurred south of a line running east and west across the state from about Paris through Charleston, Taylorville and Jacksonville.

How does the drouth affect the over-all supply of corn? Here are the figures for prospective supplies and uses.

CARRY-OVER. A normal carry-over is about 300 million bushels, or one-tenth of a crop. According to USDA forecasts, the carry-over at the end of this marketing year, October 1, will be about 925 million bushels. This amount is about three times as much as normal and considerably above the previous record of 769 million bushels last October 1.

NEW CROP. Official reports from farmers on August 1 pointed to a crop of 2,824 million bushels for this year. This estimate was 15 percent smaller than the prospect on July 1. Crop prospects seem not to have changed much since August 1, so let's use that estimate for production this year.

TOTAL SUPPLY. Add the carry-over, 925 million, to a new crop of 2,824 million. That would make 3,750 million bushels available for feed and other uses in the year beginning October 1.

HOW MUCH CORN WILL WE USE? Probably close to 3,000 million bushels, the same as in the past two years. We figure it this way:

In most years 88 to 90 percent of the corn crop is fed to livestock. Hogs get the lion's share (or should we say the hog's share?)--around 45 percent of all corn produced. Poultry comes in for 18 percent, dairy cattle for 16 percent, beef cattle for 9 percent, and horses and mules for about 1 percent.

(Continued on other side)

(Continued from other side)

Farmers will have around 10 percent more hogs to feed during next October-March, and may-be 2 to 4 percent more poultry, than they had this year. Otherwise no important changes in livestock numbers are in sight.

The needs of the larger numbers of hogs and poultry for corn will likely be offset by reduced feeding in areas where drouth cut the crop. Altogether it appears that total corn fed to livestock in the next year will be about the same as this year--say 2,665 million bushels.

FOOD AND INDUSTRIAL USES. All manufacturing uses for corn have totaled 240 to 250 million bushels annually in recent years. No important change is likely in these uses in 1954-55.

EXPORTS. Exports are relatively small, ranging from 75 to 140 million bushels annually. Shipments will total around 90 million bushels during this marketing year and they may be a little less the next year because of greater competition from Argentina.

SEED. Seed requirements are very small--only about 10 million bushels.

TOTAL DISAPPEARANCE. Total use or disappearance of corn in the year ahead seems likely to be about the same as it has been this year--about 3,000 million bushels. Subtract this amount from the prospective supply of 3,750 million bushels, and we will still have a carry-over of near 750 million bushels a year hence, or on October 1, 1955.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-8/54-10,832
PERMIT NO. 1247

Milk production has dropped more sharply than usual since June 1 of this year. The main reason is probably the hot, dry weather--although many important dairy areas have escaped both heat and drouth. In fact, Wisconsin, Minnesota, Michigan, and the New England states have had unusually favorable weather and pastures.

Milk output in July was the same as it was a year ago. This was the first month since August 1952 that failed to show a substantial increase over production of a year earlier. Production during the rest of 1954 is also expected to be close to last year's levels.

Farmers added 1.3 million milk cows to their herds in 1952 and 1953 while prices of milk were being supported at 90 percent of parity. A survey by the USDA on June 1 showed practically no change in cow numbers since last December. At that time farmers had 24.7 million milk cows.

One reason farmers went to milking more cows in 1952 and 1953 was that milking became relatively more profitable than producing beef. In those two years average prices received by farmers for beef cattle dropped 46 percent, while prices of milk went down only 12 percent and butterfat went up 5 percent. Farmers looking for ways to turn grass and legumes into marketable products naturally went to the dairy business.

Consumption of dairy products appears to have increased slightly. USDA figures show that about 5 percent more butter was used in the first half of this year than in the same period last year. The average retail price was reduced from 78 cents a pound in March to 69 cents in June.

Consumption of cheese has increased less than the use of butter, probably because retail prices of cheese have been reduced very little.

(Continued on other side)

(Continued from other side)

The U. S. average retail price for milk was only 1/2 cent a quart lower in June this year than last year. Such a small reduction cannot be expected to bring much increase in sales of fluid milk. But in several cities where substantial price cuts were made, sales have increased considerably. It appears that lower retail prices are more effective than special advertising in boosting sales of milk.

In recent years federal law has directed the Secretary of Agriculture to support the price of milk at a level between 75 and 90 percent of parity that is "necessary to assure an adequate supply." Because excessive supplies had accumulated, the Secretary on April 1 reduced the support level from 90 percent to 75 percent of parity. The recent farm act does not change this law.

The program now in effect is intended to support average prices of manufacturing milk at \$3.15 a hundred pounds and butterfat at 56.2 cents a pound.

Here's a puzzle for you: On August 1 milk production per cow in dry and blistered Missouri was 2 percent above last year. At the same time, in lush Wisconsin output per cow was 2 percent less and in verdant Minnesota 6 percent less than last year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914
III. EE278-8/54-11,015
PERMIT NO. 1247

There is more feed in sight now than was available a year ago. The reason is that the cut in corn production is more than offset by a greater carry-over of old corn and by larger crops of oats, barley and sorghum grain.

More concentrates. The total feed concentrate supply for 1954-55 is estimated at 175 million tons, 4 million more than was available last year. This estimate is made by the USDA on the basis of the August crop report. (The August report forecast a corn crop of 2.8 billion bushels, or about 15 percent less than had been forecast in July.)

Crop prospects have improved in the central and northern corn belt since the August estimate, but much of the corn in the southern part of the corn belt was completely destroyed by the extreme heat during July. Later estimates may add (or subtract) 1 or 2 million tons to the total supply of feed concentrates.

Animal numbers increase. Farmers have more animals to feed than they had a year ago. Hog numbers are up about 13 percent, and there is a small increase in poultry. On the other hand, there is some reduction in cattle, horses and mules. The result is that farmers will probably have 3 or 4 percent more total grain-consuming animals to feed during the year ahead than they had in the year just ending.

The increase in feed supply seems to be slightly (about 1 percent) less than the increase in animal numbers. This makes prospective feed supplies per grain-consuming animal 1 percent less than last year, although 1 percent more than the average of the past seven years.

One ton per animal. Now let us look at these figures from another angle. During the past seven years the average supply of feed concentrates was 2,000 pounds per grain-consuming animal unit. During the year just ending, it was about 2,040 pounds. For the year now beginning, it is estimated to be around 2,020 pounds.

(Continued on other side)

(Continued from other side)

How much feed will be needed in the year ahead? Average annual use during the past seven years was about 1,500 pounds per grain-consuming animal unit. About the same amount of feed will be used in the coming year, leaving around 500 pounds per animal above needs.

(The supply of feed concentrates consists of grains fed plus by-product feeds. A grain-consuming animal unit is one dairy cow, or other animals that eat the same amount of grain as a dairy cow. For example, a steer is counted as 2.1 grain-consuming animal units and a hog as 0.4 unit.)

Feed distribution uneven. While the total supply of feed concentrates is larger than it was last year, the distribution of this supply is very uneven. The government owns most of the old corn, and many farmers in the southern part of the corn belt have little or no feed of any kind.

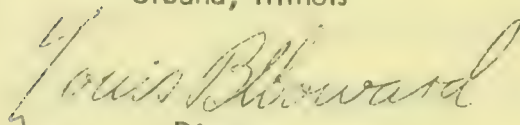
Illinois as a whole has an average supply of corn, including carry-over and new crop. The northern states--including Iowa, Minnesota, Wisconsin, Michigan, Ohio and Indiana--all have more than average supplies. All of these states--except Iowa--also have more than they had a year ago.

The southern states have less corn than they had last year, but they produced more total feed grains than they did a year ago. The increase in total feed grains came about largely because of increased acreages planted to sorghum grains.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300


Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-9/54-11,015
PERMIT NO. 1247

World War II began 15 years ago the first of this month. It may be worth while to refresh our memories about prices in August 1939, just before World War II began, to get a clearer picture of prices after 10 years of antidepression schemes under two different administrations, and after a period of war and postwar inflation.

We will look first at prices of things farmers buy. In August 1954 the official index that measures these prices stood at 282 (1910-14 = 100). At this level, average prices of things farmers buy show an increase of 133 percent from prewar August 1939.

In comparison, the average of prices of things farmers produce and sell was 179 percent higher in August this year than in August just before World War II.

Turkeys, chickens and eggs. Farmers received 15 cents a pound for turkeys in the last month before World War II and 27 cents last month. The price increase over prewar amounts to only 80 percent.

In August 1939, prices farmers received for chickens averaged 13 cents a pound. The latest average, for August, was 21 1/2 cents a pound, or only 96 percent more than the prewar figure.

Eggs averaged 18 cents a dozen in August 1939 and 37 cents last month. The increase (figured on fractional cents not listed here) amounts to 109 percent.

Cattle and hogs. Beef cattle were worth an average of \$7.51 per hundred pounds just before World War II began. The average price last month was \$15.90, which is 111 percent more than the prewar price.

Hogs, the number one income producer on Illinois farms, sold for an average of \$5.47 a hundred pounds in August 1939. The corresponding average price for last month was \$21.60, an increase of 295 percent.

Milk and butterfat. In August 1939, dairies paid farmers prices for milk averaging \$1.68 a hundred pounds. The latest monthly average is \$3.88, or 131 percent more than the prewar figure.

(Continued on other side)

(Continued from other side)

It may surprise some people to know that prices of milk and butterfat, too, show a greater price increase over prewar than prices of beef cattle.

Butterfat brought an average of 22 cents a pound 15 years ago. Last month prices averaged 55 cents a pound, 150 percent more than prewar.

Corn, soybeans and wheat. The average United States farm price of corn in August just before World War II was 63 cents a bushel. For this past August the average price was \$1.53, or 143 percent higher than the prewar price.

In August 1939, soybeans brought an average of 67 cents a bushel. Last month the average farm price was \$3.23, or 382 percent more than before World War II.

Back in 1939, just before Hitler sent his legions into Poland, U. S. farmers received an average price of 55 cents a bushel for wheat. Last month the average farm price was \$2.03 a bushel, or 269 percent more than the preinflation price.

Parity comparison. On the parity scale, all prices received by farmers averaged only 74 percent of parity just before World War II compared with 89 percent of parity last month. This improvement amounts to 20 percent.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. FE278-9/54-11,018
PERMIT NO. 1247

PARITY PRICES. The modernized method of calculating parity prices for the basic com-

modities goes into effect in 1956. (The official "basic" commodities are corn, wheat, cotton, tobacco, peanuts and rice. The modernized parity formula already is in effect for other farm products.)

The new act provides for a gradual transition from the old to the modernized parity prices at a rate of 5 percent a year. (Under this provision the parity price of corn will decline 10 percent over the two years 1956 and 1957, while the parity price of wheat will decline 15 percent over the three years 1956-1958.)

PRICE SUPPORT. Corn, wheat, cotton, peanuts and rice. 1955 crops will be supported

at prices ranging from 82 1/2 to 90 percent of parity, depending upon the supply of each crop. (The prospective supply situation for each crop points to supports at 82 1/2 percent of parity for wheat and 85 to 90 percent of parity for corn, cotton, peanuts and rice.) 1956 and later crops will be supported at prices ranging from 75 to 90 percent of parity, depending upon the supply situation for each crop. Marketing quotas for corn are eliminated.

Dairy products. Price support is continued at 75 to 90 percent of parity, as the Secretary

of Agriculture determines is necessary in order to assure an adequate supply. (The Secretary has determined that 75 percent of parity will assure an adequate supply and has supported prices at this level since early last spring. This level of support will probably be continued in 1955 unless supplies shrink rapidly.) In addition, the Commodity Credit Corporation is directed to use \$50,000,000 a year for the next two years to increase the consumption of milk in schools.

Wool. The support price for wool after April 1, 1955, is required to be at an incentive

level, not exceeding 110 percent of parity, as the Secretary determines is necessary to encourage farmers to produce annually 300 million pounds of shorn wool. If and when such production is reached, the support price is to revert to 60 to 90 percent of parity (as now), as the Secretary determines is

necessary to encourage the annual production of 360 million pounds of wool. (This presumably means that the 1955 wool crop will be supported at 110 percent of parity compared with 90 percent for the 1954 crop. It seems likely that the price of wool will be supported at 110 percent of parity for several years.)

DIVERTED ACRES. (The use of land diverted from corn, wheat, etc., by acreage allotments is not spelled out by law, but depends upon administrative rulings.) The new act provides that regulations issued by the Secretary restricting the use of diverted acres (1) may be issued on an appropriate geographical basis, (2) are to permit the production of forage crops for future use in areas where good husbandry requires a feed reserve and (3) are to permit the restoration of the normal pattern of agriculture in disaster areas.

SALE OF CCC FEED GRAINS. Feed grains owned by the CCC can be sold at the point of storage at the current price support level plus 10 percent.

CONSERVATION PAYMENTS. Farmers who knowingly exceed their acreage allotments will not be eligible for any A.C.F. payments under the Soil Conservation and Domestic Allotment Act.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-9/54-11,220
PERMIT NO. 1247

Severe and extreme drouth persisted into September over a large area of the United States. Suffering most was a 1 1/4 million-square-mile area stretching across the country from Wyoming, Colorado and New Mexico on the west to Virginia, the Carolinas and Georgia on the Atlantic Coast. The northern edge of the drouth area crossed central Illinois at about the Urbana-Springfield-Quincy line.

Except for 1953, pasture conditions in early September this year were the poorest since 1936. Pastures were best across the northern part of the corn belt and in the northwest and Pacific Coast states. Pastures and crops were suffering from extreme drouth in a huge area covering Oklahoma, Arkansas and Missouri and including most of Texas, Kansas, southern Illinois, western Kentucky and Tennessee, Mississippi, Alabama and Louisiana.

LARGE CROPS THIS YEAR. Despite the drouth and acreage restrictions, most crops are large this year. The official estimate of the corn crop as of September 1 was 2,973 million bushels. Such a crop would be only 6 percent smaller than that of last year and only 3 percent below the ten-year 1943-52 average.

The wheat crop is estimated at 962 million bushels, which is 21 percent smaller than 1953 production and 17 percent below the ten-year average.

Production of oats is estimated at 1,509 million bushels, 28 percent larger than last year and the second largest crop on record.

The barley crop is estimated at 369 million bushels, 61 percent more than in 1953 and also the second largest crop in the record books.

Sorghum grain production is estimated at 146 million bushels, 34 percent more than last year and 8 percent above average.

(Continued)

Soybean prospects point to a record production of 325 million bushels. This record soybean crop is 24 percent larger than that of last year and 31 percent greater than average.

The hay crop is figured at 104 million tons, 2 percent less than last year, but 2 percent more than average.

The 1954 cotton crop is estimated at 11.8 million bales, which is 30 percent below 1953 production, but only 6 percent less than average.

Production of tobacco is estimated at 2,164 million pounds. This is slightly larger than both the 1953 crop and the ten-year average.

MILK AND EGGS. Milk production in August was about the same as it was one year earlier and about average for the month. Milk production per cow on September 1 was slightly less than it was 12 months before, and the lowest since 1948.

August egg production was the largest on record for the month and 5 percent more than last year. There were 6 percent more layers on farms at the beginning of September than the year before. Hens and pullets (potential layers) on farms totaled 4 percent more than one year before, but also 4 percent less than the ten-year average.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director
Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914
Ill. EF278-9/54-11,690
PERMIT NO. 1247

A recent government survey gives some new facts about the size of the fall pig crop--and some clues as to the probable number of 1955 spring pigs. But the survey leaves plenty of unanswered questions to puzzle farmers and hog buyers.

The new survey shows that farmers in six leading hog-producing states are having about 14 percent more sows farrow this fall (June-November) than last. The same farmers plan to have 11 percent more winter pigs (December-February) than they had last winter.

The six states included in the survey--Iowa, Illinois, Indiana, Minnesota, Wisconsin and Kansas--have in recent years produced about half of the total U. S. fall pig crop.

The 14 percent increase in sows farrowing this fall in these states compares with an expected increase of 10 percent reported three months earlier for the U. S. as a whole. The increase in pigs saved may be a little different from the number of sows farrowing, depending on the number of pigs saved per sow. The survey shows that fall pigs are coming a little, but not much, earlier than they did last year.

Iowa farmers seem to be going "hog wild." They will have about a million sows farrowing fall pigs--10 percent more than last year and 27 percent more than average. Total fall pigs saved in Iowa will probably be a record high.

The survey also disclosed some interesting and important information about sows to farrow in December-February (first half of spring pig crop season). Farmers in these six states expect to have 11 percent more sows farrowing early spring (or winter) pigs than they had this past year. However, total 1955 spring farrowings will probably not show such a large increase.

(Continued)

Most of the six states in the survey escaped the worst of the drouth, so they have plenty of feed and water. Minnesota shows the greatest prospective increase in winter farrowings--45 percent. These three, most of which escaped the drouth, show the following prospective increases: Wisconsin, 17 percent; Iowa, 12 percent; and Indiana, 9 percent.

Illinois, which has a bumper corn crop in the north, but a complete failure in many southern counties, shows no increase in sows to farrow in December-February. Kansas farmers, hard hit by drouth, say they will cut winter farrowings by 13 percent.

Missouri and several other important hog states in the severe drouth area were not included in the survey.

There are two reasons for thinking that the total number of spring pigs may not increase so much as this survey suggests:

First, it seems likely that decreases in winter and spring farrowings in the drouth areas will offset a substantial part of the planned increase elsewhere.

Second, neither of the two big months of spring farrowings--March and April--were covered in the survey. Last year the percentage increase in total spring pigs (December-May) was much less than the increase in the first three months.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. FF278-9/54-12,666

PERMIT NO. 1247

Most cattle feeders made larger than average profits in the 1953-54 season. This fact, plus good pastures in most of the important cattle-feeding areas, made a strong demand for feeder cattle this fall. Corn-belt farmers have laid in large numbers of stockers and feeders at prices \$1.00 to \$3.00 higher than last fall. These higher first costs seem likely to squeeze profits to less than normal in the 1954-55 season.

Beef supplies and cattle prices. Supplies of beef in 1955 seem likely to be nearly as large as those of this year. It is possible that even more cattle will be marketed in the year ahead than in 1954, but less other beef may be available.

Although consumer buying power is expected to hold near 1954 levels through 1955, no marked increase in the demand for beef is now in prospect.

If, as is now expected, both supplies of and demand for beef continue near 1954 levels through the next year, prices for slaughter cattle will also continue in the same range.

Feed supplies. Feed costs in 1955 seem likely to average near those of this year. The supply of feed grains is 4 or 5 percent larger than it was one year ago, but there has been a corresponding increase in numbers of grain-consuming animals. It appears that the average price of corn will be 5 to 10 cents higher than it was in the past crop year.

Protein supplements may cost a little less for the coming year than they did in the past feeding year. There should be more and cheaper soybean meal because the crop is one-fourth larger than last year's. But there is less cottonseed meal in prospect, because both acreage restrictions and drouth cut the cotton crop.

(Continued)

The lower profit margins in prospect for this year do not allow any cushion for mistakes in feeding or marketing. Costs of gains must be kept low by making good use of roughages and by buying protein supplements that furnish protein at the lowest price per pound.

AIM FOR BEST MARKETS. Remember the seasons that usually bring the highest prices for each grade of cattle: Common and Utility steers, cows and other cheap cattle almost always sell best in the spring months--April, May and June.

Steers that grade Good most often bring their best prices in June, July and August. Good heifers also sell well on the early summer market, although heifers with exceptional quality can be given more finish and moved in the late summer.

Steers grading Choice bring highest average prices in August, September and October. Those with most quality can be fed longest without excessive risk of price decline.

Prime steers almost always sell best from September through December. Sometimes January markets are good, but it is safer to have top cattle sold before the year ends. In recent years February has been a very weak market for top cattle.

If you plan your feeding and marketing programs to hit these usually good price seasons, you will increase your chances of making a profit from cattle feeding during the year ahead.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-10/54-11,655
PERMIT NO. 1247

Poultry has been the nation's most depressed major agricultural enterprise throughout much of this year. Although there may be some improvement in 1955, profits seem likely to continue to be lower than normal.

Most poultrymen made good profits in 1953. Perhaps they were too good in that they encouraged producers to increase their output too much this year. This situation applies to all three major divisions of the poultry business--eggs, chickens and turkeys.

HUMPTY DUMPTY HAS GREAT FALL. Egg production has reached a new record high each year for five consecutive years. Output this year will total about 64.8 billion eggs, up 5 percent from last year. Recent prices paid to farmers were about one-third lower than those of a year before. In September a producer's return from a dozen eggs would buy only 8.7 pounds of poultry feed, nearly a third less than average.

Farmers are raising only about 2 percent more chickens for flock replacements this year than they did in 1953, but they got their chicks much earlier than usual. These pullets are now beginning to lay, and the prospect is for increasing monthly supplies during the fall and winter. Prices are expected to stay well below those of a year earlier until next spring.

Low prices for eggs this fall and winter will probably cause farmers to raise fewer chickens for replacements in 1955, and this may lead to smaller supplies of eggs in the last half of next year. Profits, however, seem likely to be below average.

BROILER BUSINESS GOES COMMERCIAL. Prices for broilers ranged between 22 and 25 cents a pound during the first eight months of this year, or about 3 cents below those of the year before. With these returns the larger, more efficient operators were able to pay out-of-pocket costs, but many producers were dissatisfied with their margin of profit. As of mid-September, the

(Continued)

average price of a pound of farm chicken would buy only 3.9 pounds of feed, nearly a third less than average.

Despite the low prices received this year, broiler production may increase slightly in 1955. This business is carried on largely by highly specialized producers who make a full-time job of it. They are often financed by, or are in partnership with, feed dealers or hatcherymen. The growers have a big investment in buildings and equipment, and they must stay in business to meet overhead costs and earn a labor income. Specialized broiler producers are turning out 1,050 million birds this year, about three times as many as are other farmers.


A TURKEY FOR EVERY OVEN. Turkey growers are producing about 61 million birds this year. This number is 9 percent more than were produced last year and the same as the record output two years ago. The increase over last year amounts to 6 percent for the heavy breeds and 16 percent for light breeds.

Recent prices for turkeys averaged around 27 to 28 cents a pound, about 5 cents less than a year ago. At this price one pound of turkey brought enough to buy only 7 pounds of feed, about one-fourth less than average. This low return seems likely to bring about a small cut in turkey production in 1955.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-10/54-11,655

PERMIT NO. 1247

The dairy industry, which has been subject to much distress and controversy in the past two years, seems to have stabilized. Except for normal seasonal swings, milk production and prices seem likely to continue near recent levels through 1955.

Here are the basic background and current facts about this important farm industry:

Total U. S. milk production leveled off at about 117 billion pounds annually from 1942 to 1952. During these years farmers cut milk cow numbers from 26 million head to 22 million, but they increased production per cow so that the fewer cows gave as much milk as the larger number had produced.

In 1952 farmers started milking more cows (perhaps because the price of beef cattle dropped very sharply). Dairymen added more than one million cows to their milking herds in 1952 and 1953.

Milk production went up from 115 billion pounds in 1952 to 121 billion in 1953. Ordinarily such an increase would have brought lower prices for milk, and lower prices would in turn have checked the increase in production and brought about increased retail sales. However, government price supports limited price reductions. The increased production of milk was converted into butter.

In 1942 and earlier, more milk was used for butter-making than for any other purpose. In those years more than 40 percent of all milk was used for butter.

During and after the war production and consumption of butter decreased sharply, while production and consumption of margarine increased. Consumption of margarine went up from 2 or 3 pounds per person to 7 to 8 pounds. Consumption of butter dropped from around 17 pounds per person to 9 pounds. As less milk was used for butter, more was used as fluid milk and cream, cheese and ice cream. Consumer buying (and exports) equaled production up to late 1952.

(Continued)

Milk production is now running about 124 billion pounds a year, and this rate is expected to continue through 1955. Consumption of dairy products is expected to keep pace with production. Prices of milk will probably average about the same in 1955 as in the last nine months of 1954.

The dairy business, like many other farm enterprises, is moving into the hands of fewer, bigger and more efficient producers. Many farmers who have been milking a few cows are now deciding to quit milking entirely or to make a real business of dairying.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-10/54-11,685

PERMIT NO. 1247

USDA economists expect consumer buying power for farm products to be at least as strong in 1955 as it has been in 1954. Spokesmen for the federal farm agency say that 1953 and 1954 were about normal for peacetime years and that similar conditions will continue through 1955.

SPENDING IS THE GREAT FORCE THAT TURNS THE WHEELS OF COMMERCE AND INDUSTRY. In order to estimate the rate of business activity in the year ahead, it is necessary to study prospective rates of spending by government, business and consumers.

Two important streams of spending are decreasing. These are (1) spending by the federal government and (2) spending by business for new plants and equipment.

Government spending for defense was cut by \$11 billion, or one-fifth, in the past 12 months. A further reduction is scheduled, but it is much less than the cut-back in 1954.

Business spending for new plants and equipment was trimmed by \$2 1/2 billion, or nearly one-tenth, in the past 12 months. Recent reports point to a slight further reduction in 1955.

Several important streams of spending seem likely to hold steady or to increase in 1955. These potentially strong branches include (1) spending by state and local governments, (2) business spending for inventories, (3) family and personal spending and (4) spending by foreign purchasers.

Expenditures by state and local governments increased about \$2 billion in the past year, and recent big bond issues point to a similar increase in the next 12 months. The increased outlays will go largely for schools, streets and highways.

The inventory situation is stronger than it was a year ago. Businessmen reduced their store-room and warehouse stocks by \$4 billion in the past 12 months. This reduction reflects retail sales that were not matched by industrial employment and output. Some further reduction in inventories is likely, but production may again be stepped up to exceed rate of sales sometime in 1955.

(Continued)

Consumers are spending a little more this year than they did in 1953, and they may spend still more in the year ahead. This year is seeing housing construction at the second highest level in history. One-fifth more new homes were started in September than the year before. Lower interest rates and easier mortgage payment terms are stimulating the housing boom.

Family debts were reduced in the first part of 1954 and recently were at the same level as one year before. If unemployment does not reach alarming levels this winter, consumers will probably spend more freely in 1955 than they did this year.

Farmers seem to be shaving their non-real-estate debt a bit this year. Their holdings of money and United States bonds are about the same as they were a year ago, and farm income is likely to be nearly as high in 1955 as this year. Thus farm spending in 1955 may hold up at about the 1954 level.

Export sales held up surprisingly well this year, running slightly greater than in 1953. At the same time foreign buyers have increased their holdings of dollars and gold. They seem likely to continue buying from the United States at about the same rate as they have bought in recent months.

The strong points in the business outlook seem to outbalance the weak spots.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-11/54-11,685
PERMIT NO. 1247

People in other lands are important buyers of United States farm products. In each of the past two years foreign buyers took nearly 3 billion dollars' worth of our farm products, about 9 percent of all U. S. farm production. Farm exports are expected to increase slightly in the year ending next June 30.

Most of our farm exports are not "giveaway deals." In the year ending last June 30, we shipped only one-eighth of our agricultural exports under aid programs.

Substantial amounts of four Illinois farm products are sold in foreign lands. These products are soybeans, wheat, corn, and lard.

SOYBEANS. Exports usually take a larger share of soybeans than of any other Illinois farm product. From the 1953 crop we exported 41 million bushels, or 21 percent of total U. S. production. Most of these beans were shipped to Europe and Japan. China and Manchuria are our principal competitors for this export market. Before World War II Manchuria had a virtual monopoly on world trade in soybeans; now much smaller amounts are allowed to pass out through the "iron curtain." USDA officials think that exports of soybeans from the United States in 1954 may increase to 50 million bushels.

WHEAT is the second most important farm export of the United States (cotton ranks first). Unusual postwar needs carried exports up to 48 percent of our 1951 crop. Importing countries recently have increased their own production. Price support kept prices up in the U. S., causing us to lose more exports than other countries, even though there is an export subsidy of 66 to 76 cents a bushel. In the last marketing year exports took 216 million bushels, equal to 19 percent of the 1953 crop. There is some possibility that the figure may go a little higher this year.

Canada is the world's largest exporter of wheat, the United States ranks second and Australia third. The principal buyers are the countries of western Europe.

(Continued)

CORN. Exports seldom equal more than 4 percent of the total crop, but they often take a substantial part of the corn that farmers offer for sale. In 1953-54 we exported 111 million bushels compared with 126 million bushels the year before and 84 million bushels two years before. This amount was only 3 to 4 percent of total production, but it was equal to about one-fourth of the corn produced in Illinois, the leading cash corn state.

The United States is the leading exporter of corn. Argentina, once all-dominant in this trade, is now in second place. Our corn exports have slipped somewhat in recent months because of increased competition from Argentina. They may increase this year because of poor crops in Europe. Western Europe is the leading corn-importing area.

LARD. In the past two years exports have taken about 20 percent of all the lard that has been produced. In 1953-54 our lard exports decreased because of reduced production and higher prices in this country. Lard sells in United States and world markets in competition with many other edible animal and vegetable oils, including soybean oil, cottonseed oil, peanut oil and many others. Increased production and lower prices for lard in the United States, together with tighter supplies of fats and oils in other countries, should boost lard exports in the year ahead.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-11/54-11,730
PERMIT NO. 1247

U. S. Department of Agriculture officials at the recent outlook conference made two key statements: (1) Net farm income will probably shrink slightly in 1955, and (2) average prices of farm products are expected to range between 85 and 95 percent of parity during the next few years.

Some quarters described these statements as presenting a "glum" outlook. On the other hand, they seem to present a more realistic picture of the prospect ahead than has been given in Washington in some previous years.

FARM INCOME AND PRICE SUPPORT. Net farm income has shown a persistent down-trend since 1947, declining in six of the seven years. The lone exception was 1951, when the inflation that came with the war in Korea caused an increase. Net farm income in 1954 is estimated at about 12 1/2 billion dollars, off about 5 percent from a year ago but a bit higher than the previous postwar low in 1950.

The price-support program has helped to sustain farm income in recent years, but much less real help from this source seems likely in the future. In supporting prices, Uncle Sam has gathered in over six billion dollars' worth of farm products. Thus farmers have already been paid for over six billion dollars' worth of farm products that consumers have not yet used. (Government stocks are equal to about one-fifth of a year's total output, but consist mostly of wheat, corn and cotton.)

Future farm programs will surely provide a better balance between price support and production control than we have had in recent years. Some farmers and some members of Congress urge the continuation of price supports at recent levels, though this would mean more drastic production controls. Others prefer to bring about a better balance by gradually reducing price supports. Each of these routes seems to lead to somewhat lower farm income--the first through having less to sell and the second through receiving lower prices.

(Continued)

FARM PRICES AND PARITY. Prices of farm products started downward on the parity scale back in 1948, and they have worked lower each year except in 1950, when the war in Korea touched off a wave of inflation. In October, farm prices averaged 87 percent of parity, the lowest percentage of parity since 1941.

There is no general agreement on what percentage of parity is "normal." The long-time average of farm prices, 1910-1954, is 97 percent of parity. But this average includes the three periods of war inflation as well as the years of the great depression.

For the ten years 1921-30, farm prices averaged 88 percent of parity. This average was made without production controls and with no price support except in the last year. In seven of these years industrial production and employment were high.

For the years 1931-40, farm prices averaged 78 percent of parity. In this 10-year period both price supports and production controls were in effect most of the time. Unemployment ranged from 7 to 13 million persons and averaged 10 million.

In summary, the better of the between-the-wars decades brought average farm prices near 90 percent of parity, while the poorer decade brought prices that averaged less than 80 percent of parity. Thus it may be dangerous for either farmers or candidates for public office to plan on average farm prices much above recent levels on the parity scale.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278 11/54 11,685
PERMIT NO. 1247

The government is now supporting the price of butterfat at 56 cents a pound and the price of manufacturing milk at \$3.15 a hundred pounds. Should the price support level be raised? This question is of much concern to about one million farmers in the United States who produce most of our milk, as well as to the many millions of families that buy milk and other dairy products.

About one-half (54 percent) of all Illinois farms sell some dairy products, but on many farms dairying is a small side line. The sale of milk and butterfat last year brought Illinois farmers 175 million dollars, or about 8 1/2 percent of their total income. The sale of dairy products brought U. S. farmers 4.4 billion dollars, or 14 percent of their gross cash income.

CONSUMER EXPENDITURES. A typical family of four persons spends about \$200 a year for dairy products. About two-thirds of this amount goes for fluid milk and cream.

Prices of milk are lower than most dairymen would like, but slightly higher than consumers generally are able and willing to pay. This year the government's net purchases of dairy products in order to support prices will amount to about 4 percent of the total output of milk.

MARKETING COSTS. Marketing costs generally take about 54 cents of each dollar the consumer spends for fluid milk and other dairy products. Labor and other distribution costs vary widely from city to city, being nearly twice as high in some cities as in others.

USES OF MILK. About 46 percent of all milk is sold to the consumer as fluid milk and cream, while another 5 percent is sold as evaporated and condensed milk. These products have a strong market and relatively little direct competition. Fluid milk is the best source of calcium among our foods.

About 27 percent of all milk is used for butter, and another 6 percent is used for ice cream. Butter must sell in competition with margarine, which is made mostly from U. S. - produced soybean and cottonseed oils. Margarine retails for 25 to 35 cents a pound, while butter sells for 65

(Continued)

to 75 cents. Per capita consumption of butter dropped from 17 pounds annually in 1935-39 to 8.6 pounds in 1951 and 1952, and it will be about 9 pounds for 1954. Consumption of margarine was below 2 pounds in 1935-39, but increased to 4 pounds during the war and to 8 pounds since 1951.

Consumption of ice cream averaged 25 pounds a year before World War II, jumping to 57 pounds in 1946 and staying at about 45 pounds in recent years. Sales of ice cream substitutes have increased in recent years. Some of these substitutes use low cost vegetable oils in place of butter-fat and are priced somewhat lower than ice cream.

About 11 percent of all milk is used for cheese, which is valuable mainly for its protein. Principal competing protein foods are beef, veal, pork, lamb, poultry, eggs and fish. Per capita consumption of cheese averaged 5 1/2 pounds before the war and has been around 7 1/2 pounds in the past few years.

WILL THE CONSUMER PAY MORE? Higher price supports for dairy products would probably benefit dairy farmers in the short run. But higher prices would also encourage more farmers to stay in the milk business and would help to sell more of the products that compete with butter, ice cream and cheese. The consumer is paying for price supports at the present level without much complaint. But he would probably not be willing to pay higher prices for butter and other dairy products and to pay out more in taxes for price supports at the same time.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-11/54-11,685
PERMIT NO. 1247

Prices of corn seem likely to work to a moderately higher level in the next several months.

The supply outside of government hands may be a bit short of market needs, but the government has been selling corn and seems likely to continue to sell. While most sales of grain, whether by the government or by private concerns, will be made at the "market price," each sale will have some influence on prices. Government sales seem likely to be an important factor in limiting price increases in the months ahead.

PRICE DIFFERENCES. A year ago prices of No. 3 to No. 5 yellow corn at Chicago ranged from \$1.50 to \$1.58 a bushel compared with \$1.36 to \$1.50 recently. While cash corn has been selling 8 to 14 cents lower than last year, futures have been priced as high as they were the year before, and even higher. The December future was priced around \$1.56, the same as last year, while July corn was selling for \$1.63, up 5 cents from the corresponding 1953 level.

The lower level of cash corn prices this year reflects some changes and peculiarities in the recent market situation. In 1953 most of the corn belt had a good crop. The corn harvest was early, the quality was very good, and there was an early movement to market. This year the crop was concentrated more in the northern corn belt; the harvest was later, the quality is poorer, and farm surplus stocks moved later in the fall.

AREA VARIATIONS. Prices of corn are relatively high in central and southern Illinois, being boosted by demands from Missouri and other drouth areas in the south and southwest. In the northern part of Illinois, prices have been depressed by heavy yields on a large acreage.

LARGER FEED SUPPLY. The total supply of feed concentrates for this feeding year is estimated at 179 million tons, up 4 percent from a year ago. This increase is about in step with the increase in livestock numbers. The 1954 corn crop was estimated (in November) at 2,939 million bushels, 8 percent short of the 1953 output. The increase in feed grain supplies this year comes from larger crops of barley, oats, and sorghum grain and from the larger carryover of old corn.

(Continued)

EXPORTS. Export demand for corn was slower this fall than in 1953, and it appears that the government may use its stocks to meet much of the foreign demand for corn this year. Most European countries had short feed crops, but Argentina now is able to export much more corn than she did a year ago.

PRICE PATTERNS. The price of corn has increased from November to December in each of the past seven years, the average increase being 9 cents a bushel. These increases may have led many farmers to look to December as the spot to sell their corn.

Over the past 46 years the price of corn has declined from November to December half as often as it has increased. However, this does not appear to be a year for a price decline, because the supply of marketable corn is not large, hog numbers are increasing and business prospects are improving.

COSTS. Costs of holding corn on the farm will average around 3 cents a bushel for three months, 8 cents for six months, and 10 cents for nine months. If a charge is made for the crib, costs will be about 10 cents a bushel higher. There appears to be a reasonably good chance to make a little more than out-of-pocket cost by holding corn for a higher price.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blomward

*You interview Simerl & here is
your interview - write a story
about his views.*

Director
Free Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914.
III. EE278 12/54 11,695
PERMIT NO. 1247

Soybeans are the No. 2 cash-producing crop in Illinois. They are also a popular speculative commodity. These two facts make for much interest in soybean prices.

"They" say that farmers are holding a lot of soybeans this year. But similar reports have circulated in each of the past few years. There are no official figures on farmers' holdings. Stocks on farms and in elevators and mills will be reported in January, but these reports will not show who owns the beans in elevators.

Farmers probably are holding a large quantity of beans this year. They harvested a record crop of 338 million bushels this past fall. And they remember that soybean prices generally go up after the harvest season.

RECORD CROP. The 1954 crop of soybeans is 29 percent larger than that of last year and 13 percent above the two previous record crops (1950 and 1952).

MORE EXPORTS. About 40 million bushels of 1953 crop soybeans were exported. In addition, the oil from 6 1/2 million bushels was exported. Foreign demand for soybeans is strong, and exports of beans are expected to be about one-fourth larger in this marketing year than in the one ending last October 1.

NO SURPLUS STOCKS. There are no surplus stocks of soybeans. Practically all of the old-crop beans were milled or exported before the 1954 harvest began. In fact, there never has been any important carry-over of beans in this country.

TWO IN ONE. The soybean is really a package of two separate products--soybean meal (a protein feed for animals) and soybean oil (used for making margarine and vegetable shortening). A bushel of soybeans (60 pounds) yields about 11 pounds of oil and 48 pounds of meal. Ordinarily the oil accounts for 45 percent and the meal 55 percent of their total value.

(Continued)

There are no surplus stocks of protein feeds, but large stocks of butter and cottonseed oil have been accumulated by government price support programs. However, stocks of both butter and cottonseed oil may be trimmed considerably in 1955. Production of cottonseed oil, which competes most directly with soybean oil, was reduced in 1954 by both acreage restrictions and drouth.

SOYBEAN MEAL. Recent markets for soybean meal have been strong. Prices moved up to \$72 a ton, bulk, Decatur, early in December. This was a new high for the new-crop meal, being a shade above year-before quotations. Total supplies of oilseed cake and meal for this marketing year are estimated at 9.2 million tons--2 percent larger than the supply for last year. Soybean meal makes up about two-thirds of the total supply of oilseed cake and meal.

SOYBEAN OIL. Recent quotations on soybean oil have been around 12 to 12 1/2 cents a pound. These prices are about a cent lower than those of a year ago. Total fats and oils are estimated at about 11.2 billion pounds for 1954-55, the same as for the previous year. Soybeans provide about half of the total production of vegetable oils in the United States.

USUAL PRICE PATTERNS. Soybean prices usually reach their low in October. Some advances generally occur from October to January. Midwinter declines have occurred frequently since World War II, but prices usually work upward to May. The average increase from October to January has been about ten cents a bushel, and from October to May about 30 cents a bushel. Price declines occur about one year in ten, usually in a period of general deflation, but they have never exceeded 20 cents a bushel.

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-12/54-11,725
PERMIT NO. 1247

L. H. Simerl
Department of Agricultural Economics

Penalty for Private Use to Avoid
Payment of Postage \$300

A new kind of price program for wool goes into effect in 1955. Under the new program farmers will get more money for producing wool, but the users of wool will get it at lower costs.

Congress set up the new scheme last summer when it passed the National Wool Act of 1954. The stated goal of the act is to increase both the production and the use of wool. Higher returns to producers are provided to boost production. Lower prices to manufacturers are intended to increase the use of wool.

How can farmers get more money for producing wool while manufacturers get wool at lower prices? These seemingly contradictory results will be achieved by dropping the price support for wool and using direct payments to wool growers to boost their income.

Here are the differences between the old wool program and the new one:

In 1954 the average price of wool was supported at 90 percent of parity, which was 53 cents a pound. This support program was carried out by loans to farmers much like the price support loans on corn and wheat.

Under the program for 1955, each farmer will sell his wool on the open market for the best price he can get.

At the end of the marketing year, the USDA will calculate the average price received by farmers for wool. If this average price is below 62 cents a pound, all producers together will be entitled to government payments to make up the difference between what they actually received and what they would have received if the price had averaged 62 cents a pound. This total amount will be divided among producers in proportion to the amount of money that each received from the sale of his wool.

(Continued)

For example, suppose the average market price that farmers receive for their 1955 wool clip is 53 cents a pound. This price is 9 cents short of the incentive level of 62 cents. This 9 cents figures out to be 17 percent of 53 cents, the average price actually received by farmers. So each farmer would be eligible for a government payment equal to 17 percent of the amount in dollars that he received for wool.

Thus, if a farmer produces and sells \$100 worth of wool, he would be eligible for an additional payment of 17 percent, or \$17, from Uncle Sam. Another farmer who received, say, \$200 for his wool would also get 17 percent, or \$34, from the government, regardless of the amount of wool sold or the price per pound.

Payments will be made on any 1955 wool sold after April 1. The wool may be sold to a private dealer or through a cooperative association. The farmer should get and keep two copies of his sales account because he will need them when he makes application for his government payment. Government payments will be applied for by, and made to, the farmer. Applications for payments on 1955 wool should be made at the county ASC office as soon as possible after the wool is sold, but not later than April 1956. The rate of payments will be calculated, and payments will be made as soon as possible after that time, probably sometime during the summer of 1956.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-12/54-11,725

PERMIT NO. 1247

The range in prices of beef cattle will probably narrow considerably during the next few months. The range is rather wide at present, but it usually decreases during the winter.

The steer market showed strength in the Thanksgiving-to-Christmas period. The average for all grades at Chicago was around \$26, up about \$2 from the year before. The top for Prime steers was around the \$32 level, highest since the big increase in cattle marketings sent prices tumbling two years ago.

PRIME STEERS. The good prices for top-grade cattle have been due to strong consumer demand rather than to short supplies. Recent supplies of Prime cattle at Chicago have been about one-half larger than those of a year earlier. But brisk business activity is sending the "good spenders" to the more expensive dining places that buy and serve Prime steaks and roasts.

The good demand for Prime cattle seems likely to continue through the winter. On the other hand, supplies of well-finished cattle may increase enough to take the peak off the market. Reports of cattle on feed and shipments of stockers and feeders into the Corn Belt point to moderately larger supplies of fed cattle this winter than we had a year ago.

In most years since World War II, prices of top cattle have held up well during January, but "February breaks" have been frequent. In the prewar years top grades often showed seasonal price weaknesses beginning in December.

CHOICE STEERS. A little more than half of all steers on the Chicago market in recent weeks have graded Choice. Prices have averaged \$26 or a little better, up about \$2 from year-before figures. High-level employment is providing good consumer demand for beef from these cattle. The normal price trend is downward during the winter.

(Continued)

Consumer demand promises to hold up better this winter than it did last year, but market supplies may be a little larger. Shipments of stockers and feeders into the Corn Belt were rather large during the late summer and early fall. This points to fairly large marketings this winter. But total numbers of steers have been reduced considerably in the past two years, so market supplies should not be excessive unless temporarily bunched. More information on the cattle-feeding situation will be available soon when the report of cattle on feed January 1 is released.

RANGE CONDITIONS. Drouthy conditions persist over much of the West and South. One large area in Illinois, to the south of Springfield and Decatur, has had very little precipitation since August.

The fall was unusually dry in Kansas, Oklahoma, central and northern Texas, New Mexico, Colorado and Wyoming. In most areas of these states, pastures and ranges are poor and feed supplies are short. The wheat pastures are not good and are carrying only a few cattle. In most of these areas, excess cattle have been shipped out.

Drouth has also continued in the Southeast, Mississippi, Georgia and South Carolina being hardest hit.

In the northern Great Plains, weather favorable to livestock continued through the fall. Cornstalks, cured range and wheat furnished much feed. Drouth in this area next summer would probably send many cattle to market.

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-12/54-11,675
PERMIT NO. 1247

L. H. Simerl
Department of Agricultural Economics
Penalty for Private Use to Avoid
Payment of Postage \$300

Hog production will continue to increase in 1955, but pork supplies will not be brought up to average. These facts can be determined from the recent USDA Pig Crop Report and other available figures.

The official Pig Crop Report showed that:

1. The number of hogs over 6 months old on farms December 1 was 14 percent larger than that of a year before.
2. The fall pig crop, farrowed June through November, was 14 percent larger than that of a year ago.
3. Farmers expect to have 5 percent more sows to farrow during the coming spring than they had in 1954.

What do these production trends mean for future hog markets and prices? In general they reflect a continuing favorable situation for efficient producers.

THE WINTER MARKET. Hogs were marketed rather slowly during this past fall. However, the bulk of the 1954 spring pigs will probably be out of the way by mid-January. This should open the way for a moderate seasonal price increase, but the rise in prices will be much less than it was last winter.

About 15 to 20 percent more hogs will be available for the January-March quarter than were available last year. This large supply will prevent prices from rising as high as last year, when they approached \$30 per hundred pounds.

The low in farrowings last summer came in June and July. This indicates that the low in winter market supplies will be in February or March. The winter high in prices probably will be recorded in the February-March period. A normal winter price increase is expected to lift prices about \$3 above the fall low.

(Continued)

PROSPECTS FOR SPRING MARKETS. Over half of the fall pigs were farrowed in August and September. Each of these months had 26 percent of the total fall farrowings. Most of these pigs will be ready for market from late March to early May, and a moderate price weakness may develop at that time.

THE SPRING PIG CROP. The 1955 spring pig crop is forecast at 58.5 million pigs. This number is considerably more than was raised in each of the past two years, but it is smaller than average in relation to our growing population. The expected spring pig crop would be 5 percent larger than that of 1954 and 20 percent larger than that of 1953. When measured against our growing population, however, the prospective spring pig crop is 6 percent below the average of the 12 years, 1943-1954.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278 12/54-11,675

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

338.1
I2662w
1955
cop.3

Do you want some real good buys in real good eating? Not just bargains in sideline foods, but good buys for the main part of every high-quality American meal--that's usually meat. You can get several exceptionally good buys now. And for every meal of the day--breakfast, dinner and supper (or lunch and dinner if you prefer these names for the noon and evening meals).

FOR BREAKFAST--EGGS AND BACON. Let's start with breakfast. Choose eggs and bacon for real wake-up aroma and pep-up energy that will stay with you 'til noon. Bacon is abundant now, and retail prices are around 15 cents a pound lower than they were last spring. How many strips for you, please?

Eggs are very plentiful now too. And you can have them cooked in anyone of a dozen different ways to suit your taste. Our boy prefers his in angel food cake, but you will probably want yours fried, boiled, poached, or scrambled. There has been full employment in the laying houses during recent weeks. Egg production has been bigger than last year and about one-third above the ten-year average. In recent weeks retail prices in most markets have been around 15 cents a dozen lower than they were a year earlier. This is the season of best quality eggs too. How will you have yours?

FOR NOON LUNCH--FRIED CHICKEN. Not so many years ago fried chicken was a delicacy obtainable mostly on farms--and only on Sundays from the Fourth of July until school began in September. Now you can buy fryers and broilers every day in good food stores, and at prices that make them more economical than most other meats.

(Continued)

The production of broilers and fryers has doubled since 1947 and has been at a record high in recent months. Retail prices have been around ten cents a pound lower than they were a year ago. Get some chicken now and then reach for your favorite piece.

EVENING MEAL--PORK CHOPS OR HAM. The supply of pork was below average last winter and spring. But farmers have stepped up their production of hogs. They are putting 15 to 20 percent more hogs on the market now than they marketed a year ago, and this is the season of largest supply. Prices of pork should be considerably lower this winter than they were a year earlier, and they will probably be lower than those of next summer. Pork comes in several shapes and flavors to suit almost every taste. You can have pork chops, genuine "hind-leg" ham, or one of the lower priced shoulder cuts. Enjoy pork often this winter.

That's your list of real good buys in real good eating. Perhaps never before has so much good food been available at such low cost. Farmers have produced abundantly so that all of us can live well. Be sure to get and enjoy your share of these fine foods.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-1/55-11,775

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Feed Production Increased in 1954

Sometimes it seems that we have learned a lot about farming in the past 25 years. Then, again, it seems that we have learned very little. Take the matter of prices, for example. Back about 1930 many farmers were dissatisfied with prices. They got Congress to set up a corporation, the Federal Farm Board, to lift prices by making loans on farm products. A former farm implement manufacturer was ring-master. He faithfully carried out the law at a cost of a million dollars a day for 500 days but could not stop the drop in prices. Then he wrote a prescription that he thought would lift farm prices to a high level. That prescription was "Production Control."

Since 1930 American farmers have taken many doses of production control. Some think that production controls boost farm income. Others have no faith in the medicine. They say that production control cannot work for two reasons. First, it cannot work because the so-called production controls do not control production. Second, farm income does not change because of changes in production, but because of changes in demand.

MORE FEED. Many farmers took the production control prescription in 1954. What was the result? The USDA Crop Summary for 1954 gives some answers. The report says: "One of the larger volumes of crops was produced in 1954, despite acreage restrictions for several important crops and severe drought in a large part of the country."

Total crop production was only one percent less than the 5-year average, and feed production actually increased. Many farmers who grow corn for sale sharply reduced their acreage in 1954, but other farmers planted more. The total planted acreage of corn was reduced less than one percent from the average acreage of the previous four years.

But that is only part of the story. While some farmers were holding back on corn production, the acreage of other feed grains went up by more than 11 million.

From 1953 to 1954 the production of corn for grain dropped by 224 million bushels, or 7 percent. At the same time the production of oats jumped by 290 million bushels, or 24 percent. Output

(Continued)

of barley increased 128 million bushels, or 53 percent. And the production of sorghum grains went up 95 million bushels, or 87 percent.

Despite the drouth, the harvested acreage of the four feed grains (corn, oats, barley and sorghum grain), in 1954 was 145.8 million, or 8 percent more than in 1953. The total production of feed grains was 121.6 million tons, or 4 million tons more than in 1953.

WHO BENEFITS? The crops in greatest surplus are wheat and cotton. The western wheat growers and the southern cotton planters make the most use of government price support--production control programs. What do these farmers do when they cut their acreages of cotton and wheat? Mostly they plant more corn and other feed grains--and more soybeans.

Soybean acreage in 1954 jumped 16 percent, and production rolled up to a new record of 343 million bushels, 28 percent more than in 1953.

Production controls worked out about the same when we tried them 20 years ago. Acreages were shifted, but more feed was produced.

Maybe somebody benefits from farm production controls, but it seems doubtful that they work for the benefit of midwestern corn producers.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-1/55-11,835
PERMIT NO. 1247

Fifty years ago Grandma paid 11 cents a pound for pork chops. In recent years you have paid 80 cents and up. Grandma could feed her family on steak at two pounds for a quarter. You have paid 7 to 10 times as much.

Why have meat prices increased so greatly? Has scarcity been the cause of higher prices? Has the price increase been necessary in order to get enough meat produced? Will consumers pay more for a smaller supply of meat than for a larger one?

Answers to these and many other important questions are provided in a new study of the demand for meat. This study was carried on under the joint auspices of the University of Illinois and the University of Chicago. Professor Elmer J. Working of the University of Illinois directed the research work and wrote the report. The Institute of Meat Packing of the University of Chicago supplied most of the funds and published the final report, a volume of some 140 pages.

MOST IMPORTANT CONCLUSIONS. The most important findings of the study show how consumer spending changes when the supply of meat is changed. For example, it shows that, when the supply of meat is decreased from one year to the next, consumers willingly pay more total dollars for the smaller supply. But, when the supply is kept low for several years, they gradually cut the amount they spend for meat to about the same as they spent for the larger supply.

In the same way, when the supply of meat is increased from one year to the next, retail prices must be reduced more than the supply is increased. But, if the larger supply is maintained for several years, consumers gradually increase their spending for meat until they spend about as much as before.

These and related facts tell us that farmers can make a quick profit from a sudden reduction in meat supplies, but that this advantage will probably be lost in later years. Conversely, farm

(Continued)

profits suffer from a sudden increase in production, but consumer demand gradually builds up to take the larger supplies at prices that can return profits to farmers.

WHAT'S HAPPENED TO 12-CENT MEAT? Now let's go back to our first question: Why have prices of meat increased so much since the 1890s? Professor Working's study shows that the change in the value of money has been one outstanding factor. The value of the dollar is just about half of what it was in the 1890s. This fact alone would have caused meat prices to double.

But the price of meat has increased about seven-fold, which is about twice as much as prices of most other consumer goods. Professor Working says that, as the nation's standard of living increased, people turned from cheaper foods to spend more for meat. This increase in demand lifted prices of meat.

MEAT OUTPUT FAILS TO KEEP PACE. The production of meat during the past 50 years has not kept pace with our increasing population. From 1899 to 1908, the average was about 167 pounds per person per year. By 1930 it had slipped to around 130 pounds, and by 1935 to 111 pounds. War-time demands brought the output up to 179 pounds in 1944, but it slipped back to 140 pounds in 1951. The supply of meat in 1954 averaged about 156 pounds per person, and it will probably be about the same in 1955.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-1/55-11,850
PERMIT NO. 1247

Farmers have their feedlots well filled with cattle again this winter. This means that the nation's dinner plates will continue to be well filled with fine beef during the next six months. This prospect is shown in the annual January Report of Cattle on Feed recently issued in Washington.

FOUR PERCENT MORE IN CORN BELT. The official report shows that farmers in the corn belt are feeding about the same number of cattle as the average number fed during the past two winters. Farmers in the 12 North Central States had 4.2 million cattle in their feedlots on January 1. This number is 4 percent more than they were feeding a year ago, but 5 percent less than the number being fed two years ago.

Cattle feeding in 13 Western States shows an increase of 22 percent over a year ago. These 13 Western States feed about one-third as many cattle as do the 12 North-Central (Corn Belt) States. California, the leading Western State, reported 467,000 cattle on feed, 33 percent more than last year. The cattle in California feedlots account for 8 percent of the U.S. total and place the state fourth in cattle feeding, after Iowa, Nebraska and Illinois. Cattle feeding is at a new record high in the 13 Western States.

Total cattle on feed in the U.S. January 1 numbered 5.8 million head. This number is 8 percent more than were on feed a year ago and about equal to the record number fed two years ago.

KINDS, WEIGHTS AND MARKETING INTENTIONS. The government report gives special information about the cattle on feed in the three leading Corn Belt States. These states, Iowa, Illinois and Nebraska, had two-thirds of the cattle being fed in the Corn Belt and one-half of all cattle being fed in the U.S. The special information available for these states includes kinds, weights, length of time on feed and expected month of marketing.

(Continued)

MORE HEIFERS ON FEED. In these three states the total increase in cattle on feed over a year ago is about four percent. All of this increase is accounted for by more heifers being fed. The increase in heifers on feed points to lower average market weights and probably to larger market supplies during the coming spring than in 1954.

FEWER LONG-FED CATTLE. Farmers in the three leading Corn Belt States reported only 52,000 cattle that had been on feed more than six months. This number of long-feds is 38 percent less than one year before. Cattle on feed three to six months numbered 381,000 head, 8 percent less than in 1954. Farmers reported 1,938,000 head of cattle on feed less than three months. This number is 10 percent more than one year before.

The three states reported only 82,000 cattle weighing under 1,100 pounds, 40 percent less than last year. Most of the increase in cattle on feed are in the 600- to 900-pound weight bracket. The increase in this weight group is 12 percent.

MARKETING INTENTIONS. Farmers in the three leading states said that they would spread their marketings of fed cattle about the same as they intended in 1954. They planned to ship 13 percent in January, 12 percent in February, 11 percent in March and 64 percent later than March.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Blomquist

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-1/55-11,880

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

The farm program of recent years has brought the biggest surpluses in history. Some people think this is a desirable situation. Others think it's no good. But let's look at the figures.

CORN. On January 1 we had 2.8 billion bushels of corn on farms and in other storage, according to official USDA estimates. This corn-pile is four percent greater than the record New Year supplies of 1954 and 1950. And the pile isn't melting very fast. From last October 1 to January 1, only 773 million bushels were used, the smallest amount in the eleven years of record. This rate of use (and exports) is 10 to 30 percent less than the rate of disappearance in other years since 1942.

The USDA says that the small use of corn was offset somewhat by relatively large disappearance of other feed grains. Farmers who grow corn for sale may want to take careful note to see where this trend is leading so far as their market is concerned.

The larger than expected stocks of corn on January 1 may bring somewhat smaller acreage allotments and lower price support loan rates for the 1955 crop than seemed likely heretofore.

OATS. Oat stocks totaled a bit more than one billion bushels on January 1. These stocks were one-fifth more than last year and were exceeded only in 1946. Disappearance of oats from October to January totaled 280 million bushels, which is more than usual.

BARLEY. Stocks of barley totaled 284 million bushels on New Year's Day. This amount was 59 percent more than one year before and was the largest for any January 1 on record. During the last quarter of 1954, 72 million bushels of barley were used, a much larger amount than usual.

SORGHUM GRAIN. Sorghum grain stocks were counted at 189 million bushels on January 1. These stocks were 2 1/2 times those of a year ago and were exceeded only in 1951. Most of this supply is moving into competition with corn. Nearly three-quarters of it is off farms--in elevators and mills and terminal markets.

(Continued)

WHEAT. Wheat on hand in the U. S. on January 1 totaled 1,460 million bushels. This mountain of wheat is a tenth greater than the previous record one year before. Disappearance in the October-December quarter amounted to only 216 million bushels. At this rate of use, present stocks would last until September 1956.

Congress has declared that 400-500 million bushels of this wheat is in a "set-aside." Somehow this declaration was supposed to lift the wheat "off the backs of farmers' markets." But it is still around, and both farmers and buyers know it. Some of the wheat in storage is of very poor quality, while some very essential kinds are in short supply.

Rye in storage January 1 totaled 25 million bushels, largest in 10 years.

NEW RECORD CARRY-OVERS AHEAD. The wheat surplus is relatively much larger than that of corn. When the 1955 harvest begins next July 1, old wheat still on hand may be equal to 15 months' supply. By comparison the carry-over of old corn when the 1955 harvest begins will probably be less than five months' supply. This estimate assumes use and exports of corn during the first nine months of 1955 equal to those of last year. Such a rate of disappearance will leave us with about a billion-bushel carry-over next October 1, about 10 percent more than the record high set last fall.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-2/55-11,736
PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Highest Margins in Chicago

Dairy farmers get about a dime a quart, U. S. average, for the milk that city families buy. City families pay 16 to 27 cents a quart for the same milk. Variations in marketing charges are responsible for most of the differences in prices paid by consumers.

Milk wagon drivers and dealers take from 7 to 17 cents a quart, in different cities, for bottling, delivery and selling. These figures are from a recent USDA study of milk marketing margins in 25 major U. S. cities.

LOWEST MARGINS IN WASHINGTON. Members of Congress seem to get a "good break." For milk sold in stores, the average marketing margins in Washington in 1954 were only about 7 cents a quart, the lowest of all the cities studied. For milk delivered at home, the margin was 10 cents a quart, second lowest of 25 major cities.

BIG MARGINS IN CHICAGO. Biggest marketing margins in the nation were found in Chicago. For home delivery, bottling and delivery charges amounted to 17 cents a quart. On store sales, the margins averaged 12 cents on single quarts and 10 cents a quart for larger amounts. Both were the second largest found in any of the cities studied.

Most midwestern cities have much lower marketing charges for milk than does Chicago. In three cities, Milwaukee, Detroit and Kansas City, the marketing charges for home-delivered milk were 5 cents a quart lower than in Chicago. In three other cities, Cleveland, Minneapolis and Omaha, the bottling and delivery charges were 6 cents a quart lower than in Chicago.

PRICES IN STORES. Marketing margins for milk sold in stores also are much lower in most midwestern cities than in Chicago. In four cities, Cleveland, Omaha, Detroit and Milwaukee, the margins on milk sold through stores averaged 2 cents a quart less than in Chicago. In Kansas City the margin was 3 cents less and in Minneapolis 4 cents less.

An increasing amount of milk is being sold through stores in half-gallon and gallon containers. Most midwest cities have lower marketing margins on such sales than does Chicago. In

(Continued)

Cleveland, Detroit, and Kansas City, this job was done for about 8 cents a quart. In Milwaukee the margin was nearly one cent more, and in Omaha 1 1/2 cents more. In Chicago the margins obtained on half-gallon and gallon sales were 2 cents a quart more than in the first three midwestern cities mentioned.

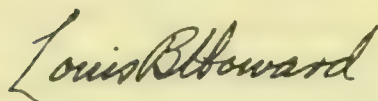
Many different items go to make up marketing costs, but the largest single expense is always payrolls.

Comparable figures on marketing margins are not available for St. Louis, the second most important market for Illinois farmers.

RETAIL PRICES. A recent survey of seven midwest cities showed lowest retail prices in Minneapolis, where consumers paid about 17 cents a quart in stores and 18 cents delivered at the home. Second lowest prices were found in St. Louis, where milk was selling for around 20 cents a quart in stores and 21 to 22 cents delivered to the home. Chicago families paid an average of 21 1/2 cents a quart in stores and 25 1/2 cents for home delivery. These prices are the second highest and highest, respectively, of those in the seven midwest cities.

GOOD SUBJECT FOR INVESTIGATION. Some price differences are justified, but there seems little reason for the huge differences in marketing charges now in effect for milk. The USDA report did not explain why the charges are more than 50 percent greater in some cities than in others. It appears that this might be a proper subject for serious inquiry by farm organizations, consumers and Congress.

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-2/55-11,800
PERMIT NO. 1247

L.H. Simerl
Department of Agricultural Economics
Penalty for Private Use to Avoid
Payment of Postage \$300

Old Man Winter has been making big headlines with his "Cold Waves and Blizzards." Spring soon will appear with "Thundershowers and Tornadoes." But Old Man Drouth still has a dangerous grip on many millions of acres of America's best farmland and may take over top headlines again next summer. Although the nation's food supply is not in immediate danger, many farmers and ranchers could be in serious trouble in a few months.

Rainfall has been below normal throughout most of the United States since last April 1. Vital soil moisture is deficient in all but a few areas of the country.

NORTHEAST WELL SOAKED. Only a few areas are well stocked with soil moisture. The most important of these rain-favored regions include the northern third of Illinois. This region of abundant moisture runs northward through Wisconsin, eastward across Michigan, northern Indiana and Ohio and into the northeast.

Most of central and southern Illinois is still short of water. The same goes for southern Indiana and Ohio and for all of the southern states except the Virginias. Recent rains provided temporary relief but did not make up the long-accumulating water shortage.

Virtually all of the United States west of the Mississippi River has had less-than-average rainfall since April 1, and especially since last September 1.

STATE REPORTS. Driest spot hereabouts has been a triangular area reaching across the southern halves of Illinois and Indiana. Missouri has continued dry except in a few southwestern counties. Iowa had more than average rainfall last summer, but has been on the dry side since then. Eastern Minnesota also had more moisture than usual last summer, but the whole state has had less than the average amount since September 1.

(Continued)

Perhaps the driest area in the country is the old Dust Bowl of the 1930's. It covers most of Oklahoma, south-central Kansas, and much of Texas, New Mexico and Colorado. Other especially dry areas of the west include Wyoming, southern Montana, Idaho, Washington and Oregon.

FAVORED WESTERN AREAS. A few areas of the west have received more-than-average rainfall during the past five to 10 months. Most of North Dakota was well soaked throughout 1954, as was the Canadian boundary of Montana. More-than-average rainfall has fallen during the past five months in most of Utah and adjoining parts of Nevada and Arizona. Judging from rainfall maps, most coastal areas of central and northern California must have had fewer than usual hours of sunshine from September through January.

CROP CONDITIONS. While weather maps show that most of Nebraska has had a little less-than-normal rainfall since last April 1, that state seems to have a good prospect for wheat and pastures. But much of the wheat in the Kansas-Colorado-Oklahoma-Texas area got a very poor start last fall. And the outlook for water for pastures and livestock continues serious in most of the middle and lower portions of the western Great Plains.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-2/54-11,890

PERMIT NO. 1247

Beef cattle numbers and the human population ran nearly a dead heat in 1954. Both increased about 1 2/3 percent during the year. The increase in numbers of beef cattle was quite evenly spread among cows, calves, steers and heifers. These small increases leave the production and supply side of the beef cattle business about the same as it was a year ago.

FEWER MILK COWS. While beef cattle numbers went up slightly last year, the number of dairy cattle shrank a bit, about 1/2 of 1 percent. In the dairy herds, cow numbers went down most, about 1 percent. There was little change in numbers of heifers and heifer calves being kept for milk.

The 1 percent decrease in milk cow numbers in the past year followed an increase of nearly 6 percent in the three previous years. It appears likely that the decline in prices of milk and butterfat in 1954 had some effect on the culling of dairy cows. Milk production, after increasing sharply through 1952 and 1953, leveled off in 1954.

On January 1 there were an estimated 58.4 million head of beef cattle and 37.0 million dairy cattle, or a total of 95.4 million head. Thus beef cattle made up 61 percent and dairy cattle 39 percent of the total.

STEERS, HEIFERS AND CALVES. Numbers of steers on January 1 were estimated at 8.3 million head, a little over 2 percent more than last year but 8 percent less than the record of two years ago. About the same proportion are in feedlots this winter as a year ago.

Numbers of beef heifers on farms January 1 were estimated at 6.2 million, about 1 percent more than the year before. Because a larger part of these heifers are on feed than usual, market supplies of fed heifers may be at a record high during the first half of this year.

Beef calves on farms January 1 numbered about 17.9 million head, up 2 percent from a year before. A few are calves from dairy stock that are not being kept for milk. The fact that calves are being

(Continued)

put on feed more slowly now than last year points to a slight increase in numbers to be headed for late fall market.

BEEF COW NUMBERS LEVELING OFF. The big increase in beef cow numbers under way since 1948 has about stopped. Between 1948 and 1953 cow numbers climbed 50 percent, but the 1954 increase was below 2 percent. Beef cows now total 24.2 million head, only 2 percent less than the number of cows being kept for milk.

REGIONAL DIFFERENCES. Drouth in 1954 reduced numbers of beef cattle in some states. There were moderate reductions in the Southeast and Southwest. Largest increases occurred in Iowa, Nebraska, the Dakotas, Montana, Idaho and California.

Illinois farmers stood pat on numbers of beef cows in 1954, but they now have about 4 percent more steers, beef heifers and calves than they had a year ago.

STEADY, PLEASE. Altogether the beef cattle picture has not changed much in the past year or so. Total numbers of beef cattle have increased about the same as population, less than 2 percent in the past year. We had 4 percent more cattle on feed in the Corn Belt on January 1, 1955, than we had last year and 8 percent more in the whole United States. Feeder costs were higher last fall than in the previous fall, but consumer demand for beef seems to be stronger, in spite of larger supplies of pork. Continued stability in market supplies could be a big help in making another good year for beef producers.

L. H. Simerl
Department of Agricultural Economics

Penalty for Private Use to Avoid
Payment of Postage \$300

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-2/55-12,056

PERMIT NO. 1247

Uncle Sam's big checkbook is getting less wear and tear these days than in any of the past three years. And it may be used still less in the next year or so.

This is important, because spending by the federal government makes jobs, income and purchasing power for at least one-fifth of the nation's families. And every one of the rest of us is importantly affected in one way or another.

Let's look at some of the things Uncle has been doing with his big checkbook--and our money.

Most of us keep our books on a calendar-year basis, but Uncle Sam's bookkeepers figure from July 1 to June 30. So remember as we go along that Uncle Sam's year runs from the middle of one calendar year to the middle of the next.

Federal spending has been cut by 11 billion dollars in the past two years and may be trimmed more in the year ahead. Two years ago 74 billion was spent; last year, 68 billion; and this year, about 63 billion. The plan is to spend 62 billion next year.

DEFICITS DECREASING. The first two of these years ended with Uncle's accounts far in the red, and the accounts for this year and next year also will be closed with red ink. Two years ago the deficit was 9 billion dollars; last year, 3 billion; this year, 4 to 5 billion--and next year, 2 or 3 (?) billion, depending on what Congress does about appropriations and taxes.

The first of these fiscal years--two years ago now--had the biggest peacetime federal spending and the biggest deficit. But it was a boom year, with high-level employment and high industrial output.

In the next year, ended last June 30, federal spending was cut by 6 billion dollars. This cut trimmed national income by enough to equal the earnings of about 1 1/2 million workers and was one of two major causes of the serious unemployment that developed a year ago. (The other principal cause was failure to replace many items sold from stock with new production.)

(Continued)

LOWER TAXES WILL HELP THIS YEAR. By the end of this year (June 30), Uncle Sam's check writing will have been cut by another 5 billion dollars. Standing alone, this cut would have put more than a million workers out of jobs. But Uncle's tax collectors eased up on us so that private spending could increase in order to keep employment up. Tax collections for this fiscal year are being reduced as much as government spending, or more. With less taxes to pay, private individuals and businesses have been able to spend more to offset the cutback in government outlays.

Another thing that has boosted employment in recent months is the increase in factory production to make it equal to sales.

THE NEXT FISCAL YEAR. According to the administration's budget plans for the year beginning next July 1, federal spending will be cut by 1 billion dollars and the tax take will be increased by the same amount, giving the people less money to spend. These two changes would take about 2 billion dollars off the nation's spending ability. It is quite possible however, that spending by state and local governments, consumers and private business will be increased by more than enough to offset the changes now scheduled in the federal budget. Such developments would mean more employment for labor, and probably an end to the decline in farm income.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-3/55-12,056
PERMIT NO. 1247

The fall pig crop is rolling to market in peak volume. Prices seldom advance during this heavy marketing season, but this year may be an exception. Several forces may push prices toward higher levels:

1. The supply of pork is not excessive. The fall pig crop was up 15 percent from the very low farrowings of 1953, but it was a little smaller than normal in relation to population. Recent storage stocks have been well below average for this time of the year. The prospective supply of pork for all of this year will make only about 65 pounds per person. This is 2 to 5 pounds more than have been available for the past two years, but 4 pounds less than the average for the previous six years 1947-52. The USDA calculates that the supply of pork for each person this year will be 2 pounds, or about 4 percent, below the 10-year average.

2. Fall pigs usually bring substantially higher prices than spring pigs, but no price advance has appeared so far.

3. Marketing margins on pork, which increased by one-fifth last year, may soon be reduced by competitive forces. Retail prices have gone down considerably, and this reduction should speed the flow of pork over retail counters and bring increased demand at the packing houses and stockyards.

4. Business is good. Employment is increasing seasonally. Consumer purchasing power is at a record high for this time of the year. (The principal dark cloud on the demand side is a fear that strikes may stop the flow of pay checks to some families.)

5. Competitive pressure from poultry and eggs will be less than it was during much of last year. Supplies of highly finished beef will probably increase soon, but supplies of the more ordinary

(Continued)

grades will shrink. (Contrary to widespread opinion, pork imports have not had much influence on prices. The excess of imports of pork over exports in 1954 amounted to less than one percent of domestic production. By contrast the increase in domestic production has amounted to 13 percent. Most of our relatively small imports of pork come from friendly countries--Canada, Netherlands, Denmark and West Germany.)

MARKETS FOR NEXT FALL. The last half of this year may bring prices comparable to those of the past fall. Next winter's prices could be better than recent quotations.

It is now apparent that an unusual narrowing of marketing margins, plus small supplies of hogs, combined to boost hog prices to extreme levels a year ago. Last fall brought both larger supplies and wider marketing margins, and consequently much lower prices. According to USDA estimates, marketing margins on pork shrank to 16.9 cents a pound in the first quarter of 1954 and then swelled to 20.4 cents in the last quarter of the year. For the seven years 1948-54 the marketing margin on pork was 18.8 cents a pound. Thus a shrinkage in margins may offset the small increase in supplies in prospect for next fall.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-3/55-12,056
PERMIT NO. 1247

Business activity has speeded up considerably from year-ago levels. The big question now is "how long will the upturn last?"

Compared with a year ago, more people have jobs. Their weekly pay checks are larger. They are spending more money. And industrial output and construction work are greater than they were a year ago. This greater business activity will help to sustain the demand for meats, poultry, eggs and dairy products.

EMPLOYMENT UP. Official employment figures for the winter season will probably show an increase of one percent over the year before. There was slightly more unemployment in January of this year than last, but the unemployment figure for February was eight percent below that of a year ago.

Out of each 100 able and willing workers in February, 95 had jobs and only five were reported as being unable to find suitable work. Recent new claims for unemployment payments were running 15 to 20 percent less than year-before figures. The unemployment group will be reduced considerably as spring construction work increases.

EARNINGS GREATER. Earnings of production workers in February averaged \$74.93 a week, up five percent from the year before. The increase in weekly pay came partly from higher wage rates and partly from more hours of work per week.

A year ago many families were fearful of the future. During the first part of the year, they paid off old debts faster than they took on new ones. This year began with consumer credit up only three percent from a year ago. This three percent increase in personal debt compares with a five percent increase in weekly earnings and about a three percent increase in nonfarm personal income.

SALES BOOM. Sales figures are running well ahead of last year. Several new auto sales records have been set recently. Department store sales in early March were running 14 percent above 1954.

(Continued)

Residential construction was about one-fourth greater during the winter than last year. Easy credit and high-pressure sales methods seem likely to keep consumer buying at a high level for several months.

Spending by business is greater than it was a year ago. At that time business was not replacing all of its sales with new production, and inventories were reduced. Now business is spending more to replace stock sold from warehouses and storerooms. This change can furnish employment for an additional million workers.

GOVERNMENT SPENDING HIGH. Federal spending, which has been slashed by about 10 billion dollars in the past two years, will be reduced very little, if any, in the fiscal year beginning July 1. Outlays by state and local governments for roads, streets, schools and other public improvements are increasing at the rate of about one billion dollars a year.

Government spending now makes up 25 percent of all purchases of goods and services compared with only 10 percent in 1929. This change probably makes our economy more stable than it was 30 years ago.

TOO MUCH DEBT? Some business observers point out that the current business upturn is based on credit expansion and that too much debt soon may put a lot of families and businesses in trouble. But if business growth is based on an increase of credit, and the present amount of credit or debt may or may not appear to be excessive when we look back on it a few years hence.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Add
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-3/55-12,056
PERMIT NO. 1247

YOU may be interested in the following features of SWINE GROWERS DAY, Thursday, April 7, at Urbana. Visit to U. of I. Swine Farm

Cutting costs--weaning
Starter rations--creep feeding
Free-choice--complete rations
Pasture--drylot
Crossbreeding--hybrids
One man's profitable program

Egg producers seem likely to get much better prices during the rest of this year than they got in 1954. Although consumers will get a few less eggs than last year's record numbers, there will still be more than the average number for consumer use.

Egg prices were extremely low during the last three quarters of 1954. And, for the first time on record, prices did not go up in the fall. In the last three quarters of last year, farmers received only 34 cents a dozen, U. S. average, for eggs, or nearly one-third less than they received the year before. During the last three quarters of 1954, Illinois farmers received only 27 cents a dozen, down more than one-third from the previous year.

SUPPLIES INCREASED TOO FAST. The main reason egg prices were so low last year was that production increased much more than usual. The output of eggs last fall (Sept.-Dec.) was 8 percent over the previous year and 24 percent greater than the 1947-49 average. Then, too, supplies of competing foods--meats, chicken and milk--were at record-high levels. Finally, the demand for eggs for hatching dropped off in the latter part of the year.

Now the supply side of the egg business is changing. Farmers still have about as many hens as they had a year ago, but they have fewer pullets for replacements than they had last year. This means that in a few months the number of laying hens will probably drop below last year's levels.

Production dropped to year-before levels in February, but that may have been due to unfavorable weather. Until early summer it is expected to be 2 or 3 percent over last year, but from then on it may be smaller than it was last year.

(Continued)

OUTPUT TO BE REDUCED. Here are some things that point to a cut-back in egg production below last year's levels:

1. For each of the past six months, fewer pullets have been started for laying flock replacements than were started last year.

2. On February 1 farmers reported that they would buy 18 percent fewer chicks for flock replacements this year than they bought last year. It seems unlikely that they will make such a drastic cut-back; on the other hand, they will probably cut back to some extent instead of holding steady or increasing as they have been doing in recent years.

3. Hens started laying earlier than usual last fall, and they may stop earlier for their summer vacations.

Besides restricted supplies, increased demand may help to boost egg prices. Most consumer paychecks are bigger than they were last year, and there will be more of them. Another point--more eggs may be used for hatching chicks for broilers this fall than last. Altogether the signs point to a good prospect for egg producers from midsummer through early winter.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-3/55-12,471
PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

The hog market may prove to be better than is now generally expected. Hog production is leveling off. Prospective supplies of pork are not excessive, and prospective demand is firm.

The probable supply of pork for the next 12 months can be predicted from the recent government report on the hog situation in six leading states as of March 1. These states were Illinois, Iowa, Indiana, Wisconsin, Minnesota and Kansas. Here is a summary of that report:

1. Numbers of hogs over 6 months old were up 12 percent from the very small number on farms a year earlier.

2. Numbers of hogs 3 to 6 months old were also up 12 percent from last year. These are the later fall pigs, and most of them will be ready for market in April, May and June.

3. Twenty percent more sows farrowed from December through February this year than a year before, but only 15 percent more pigs were saved. These winter pigs are regularly counted in with the spring crop, which includes all pigs saved from December 1 through May. Most of these winter pigs will be on the markets in July, August and September.

4. They expect to have 3 percent more sows farrow from March 1 through May this year than they had a year ago. The number of pigs actually saved from these farrowings may range from 5 percent more than last year to 5 percent less. (Five percent fewer pigs were saved per litter from the early farrowings this year than last.) Pigs from these March through May farrowings will supply most of the market hogs from next October through February.

(The total spring pig crop--December through May--in the six states could be anywhere from 2 to 8 percent larger than last year, depending on whether the number of pigs saved per litter after March 1 holds up to the year-before average or falls off 5 percent, as happened with the early litters.)

(Continued)

5. Farmers intend to have 2 percent fewer sows farrow from June 1 through August this year than they had in 1954. Farrowings in these months usually account for about 55 percent of the total fall pig crop.

Adding up. There are only 13 to 15 percent more hogs in sight for the spring and summer markets than the very small supplies of last year. Market supplies for next fall seem likely to be about the same as those of the same seasons just past.

All together, the total supply of pork in prospect for this year will be only 65 pounds per person. While this is 5 pounds more than we had last year, it is 2 or 3 pounds less than normal.

The moderate supply of hogs in prospect should find a good demand in the market place. Consumer income is increasing. Competition from beef, poultry and eggs is easing up. Packers and retailers seem to be putting more sales promotion behind pork.

Price trends. These forces seem likely to carry hog prices on an upward trend until early summer. The summer top may be around \$23.

Prices could be about the same next fall as they were last fall. The winter average should be much better than the 1954-55 record.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-3/55-12,200

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Active Business Helps to Support Prices

Business is off to a fast start this year. Most of our important industries are sharing in the prosperity. The business boom seems to have enough steam to carry it through the rest of the year.

This business activity is benefiting farmers by making active markets for large quantities of meats, eggs, poultry, dairy products and fruits and vegetables.

85 PERCENT MORE BEEF. U. S. farmers this year will produce and sell about 12.8 billion pounds of beef, 85 percent more than in the five years 1935-39, just before World War II. There will be about 77 pounds for each person, 40 percent more than before the war.

About 64 percent more veal will be consumed this year than before the war. The average will be equal to ten pounds per person, 22 percent more than prewar.

47 PERCENT MORE PORK. Farmers this year will sell some 10.8 billion pounds of pork, 47 percent more than in 1935-39. This supply will make close to 65 pounds per plate, or 17 percent more than before the war.

Farmers and ranchers have cut back the production of lamb and mutton. The expected supply will make little more than four pounds per person, one-third less than in 1935-39.

72 PERCENT MORE EGGS. About 5.7 billion dozen eggs, 72 percent more than before World War II, will be produced and sold this year. Consumers will buy and use, in one form or another, an average of about 395 eggs each, 35 percent more than before the war.

123 PERCENT MORE CHICKEN. Consumers will buy nearly four billion pounds of chicken this year, 123 percent more than in 1935-39. This supply will equal about 23 pounds per person, which is 71 percent more than before the war.

Turkey production has increased 157 percent since 1935-39. More than four pounds per person will be sold--just 100 percent more than before the war.

(Continued)

MORE MILK, ICE CREAM, AND CHEESE. Consumers this year will use about 58 billion pounds of fluid milk and cream, 37 percent more than before the war. Per capita consumption will average about 355 pounds, or 7 percent more. Ice cream sales will total about 2.9 billion pounds, 126 percent more than in 1935-39. Consumption will average about 17 pounds per person, 73 percent more. Over 1.3 billion pounds of cheese will be used this year, 96 percent more than in 1935-39. Cheese consumption will be nearly eight pounds per person, 40 percent more than before the war.

BUTTER MARKET SHRINKS. Fast-growing consumer buying power has not brought increased use of butter. The reason is that competition from other products increased during and since World War II. Forty years ago the cream from half of all milk was churned for butter. Now only a little more than one fourth of all milk is skimmed for cream for making butter. In most years from 1910 to 1940, average butter consumption ranged from 16 to 18 pounds per person. In 1952 and 1953 the average dropped to 8 1/2 pounds per person, and it is now about 9 pounds. The butter used this year will total about 1.6 billion pounds, one-fourth less than before the war.

GREATER MARKET. U. S. farmers in 1954 sold 65 percent more animals and animal products than they did in 1935-39. Sales of these animals and animal products in 1954 brought 16.7 billion dollars over 3 1/2 times as much as before the war. This is an outstanding example of an expanding market for farm products.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-4/55-12,150
PERMIT NO. 1247

Business is good. But can consumers keep up their high rate of spending? And if they can keep it up, will they do it? Some answers to these questions are furnished by a recent survey of consumer finances by the Federal Reserve Board.

This peek into consumer pocketbooks showed, among other things, that:

1. As a group, consumers are making more money than ever before.
2. They feel more optimistic than usual about the future.
3. They plan to continue a high rate of spending in 1955.

INCOMES CONTINUE TO INCREASE. While consumer income increased during 1954,

they did not increase as much as in most other years since World War II. Thirty-eight percent of the families reported that early this year they were making more money than they did a year ago. This was the second lowest proportion in eight years to report greater incomes.

Twenty-three percent of consumers reported that they were receiving less income this year than a year ago. This percentage was the same as one year before and was a little larger than the average for eight years.

HIGHER INCOMES EXPECTED. Thirty-nine percent of the consumers expect to be making more next year than they are now. This percentage of hopefuls is equal to the highest found in eight years.

Only 6 percent of the families were expected to be making less a year later than they were at the time of the interview. The proportion of families that was pessimistic about their future incomes was only about half as large as in other recent years.

PEOPLE FEEL BETTER OFF. Thirty-eight percent of consumers felt that they were better off than the year before. The percentage feeling better off is as large as any time in the eight years.

Most families had some savings such as bank accounts, government bonds or other liquid assets. Roughly, 30 percent had no savings, 30 percent had less than \$500, 30 percent had \$500 to \$5,000, and 10 percent had more than \$5,000.

(Continued)

Fifty-nine percent of those interviewed, the largest proportion in 5 years of record, expected "good times." Only 12 percent, the smallest number on record, expected "bad times." This reflects a record high in optimism.

OTHER REPORTS POINT TO BIG YEAR FOR BUSINESS. At the end of February, consumers owed \$29.5 billion, less than 5 percent more than one year before. Consumers built up their debts less in the past 12 months than they did in most other years since the end of World War II. However, early trends this year point to a bigger increase in installment buying than in 1954. Much of this increase may be accounted for by sales of new automobiles.

The building industry is setting new records and gives promise for great activity through the rest of this year. Construction activity in March was valued at 2.9 billion dollars, 14 percent more than one year before. New contracts for construction awarded in March reached a new record high for the month. The total in 37 states east of the Rocky Mountains was 2.1 billion dollars, 40 percent more than a year ago.

The current business boom may not carry through to the end of the year, but the early-session signs have seldom been better.

FARMERS TO BENEFIT. Although markets for several farm products are swamped with price-support stocks, consumers will take large quantities of beef, pork, poultry, eggs, and dairy products at prices that will provide good returns to most producers.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

III. EE278-4/55-12,150

PERMIT NO. 1247

There is plenty of good eating ahead for people who like juicy steak and roast beef. These tasty treats will come from the cattle that farmers will be fattening for market during the next few months.

On April 1 farmers in 14 major feeding states had more than 4 1/2 million cattle on feed, according to the USDA. This number is 12 percent more than were on feed a year ago and it is about 10 percent more than two years ago, which was the previous record high for this time of the year.

The most spectacular increase in cattle feeding is in California, where some 318,000 head were reported in feedlots on April 1. This number is 54 percent more than were on feed there one year before. California, however, had only 7 percent of the total cattle on feed in the 14 major feeding states.

CORN BELT. Illinois farmers had an estimated 555,000 head of cattle on feed--11 percent more than one year before. Nine corn-belt states reported 3,671,000 head--8 percent more than last year.

Look for plentiful market supplies of fed cattle through May and June. Of the cattle on feed April 1, farmers intended to sell 45 percent before July 1 compared with 43 percent last year. Farmers in the three leading states, Iowa, Illinois and Nebraska, indicated that they would sell about one million fat cattle before July 1--17 percent more than were planned last year. However, actual marketings probably will not show such a large increase as is indicated by farmers' intentions. Expected marketings after July 1 are indicated to be up about 7 percent from last year.

Here are more important facts from the report of cattle on feed April 1:

1. INSHIPMENTS. Shipments of cattle into the corn belt during the first three months of this year were 11 percent larger than during the same period a year ago.

2. NUMBER STARTED ON FEED. Farmers in the three leading states, Iowa, Illinois, and Nebraska, put 10 percent more cattle on feed during the three months than they did last year.

(Continued)

3. WEIGHTS. The increase in numbers being fed consists entirely of cattle weighing less than 1,100 pounds. Numbers weighing over 1,100 pounds show a reduction of about 13 percent from last year. However, these heavy weights make up only about four percent of the total cattle fed in these three states.

4. KINDS ON FEED. Most of the increase in cattle on feed consists of steers, but the largest percentage gains were recorded for heifers. Numbers of steers on feed in the three states were estimated at 1 1/2 million head--or 6 percent more than last year. Numbers of heifers on feed were estimated at 382,000 head--23 percent more than a year before. Calves on feed were estimated at 485,000--12 percent more than were being fed on April 1 last year.

5. TIME ON FEED. In the three leading states, only about 72,000 cattle--30 percent less than last year--had been on feed more than six months; 1,446,000 head--or 12 percent more than last year--had been on feed three to six months. The number on feed less than three months is estimated at 881,000 head--or 18 percent more than last year.

Some of the prospective increase in marketings of fed cattle may be offset by smaller supplies of cheaper beef and by increased consumer demand. Even so, it appears that the seasonal decline in prices of choice cattle may carry into the early summer, while prices for the middle and lower grades may not rise as much as usual this spring.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bloward

Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

III. EE278-4/55-10,790

PERMIT NO. 1247

Corn is the highest profit crop for most Illinois farms. Many farmers are cutting down on this crop in order to get price-support loans next fall, but the supply of feed continues to pile up.

There are two reasons why supplies of corn and other feeds are building up: (1) cotton and wheat growers have shifted to feed crops, and (2) the price-support program for corn sometimes restricts domestic uses and exports.

CORN USE CUT. The use of corn is sometimes restricted by the price-support program. For example, in 1952 and 1953, feeding to hogs was reduced when corn prices did not come down with hog prices. This year other feed grains are being substituted for corn.

The carry-over of feed grains last fall was 32 million tons--57 percent more than two years before. The carry-over this year seems likely to reach 34 million tons, a new record high. And more feed grains will probably be produced this year than were produced last year.

With average weather, we are likely to produce around 125 million tons of feed grains this year. Such production would exceed that of last year by 3 percent and would be second only to the record output of 135 million tons in 1948.

MORE LAND TO FEED GRAINS. In March farmers intended to plant about the same acreage of corn as they planted in 1954. But average weather across the country would produce about 175 million bushels more than last year's total.

Farmers have reported intentions to seed one percent more land to oats than they seeded in 1954. But average yields would reduce the crop by 140 million bushels.

The prospective acreage of sorghum grains is 7 percent over last year and 50 percent above the 10-year average. The 1955 crop of sorghum grains is likely to be around 240 million bushels--

(Continued)

17 percent more than last year and 80 percent above the 10-year average. Texas and Kansas rank one-two in the production of sorghum grain. Other cotton and wheat states have also stepped up their acreages of sorghum grain. This crop competes with corn not only in our feed troughs, but also in export markets.

Farmers plan to seed nearly 18 million acres to barley this year. That number would be 9 percent more than last year and 35 percent more than average.

The big-acreage crops with price-support production control programs are corn, wheat, and cotton. It appears that when wheat and cotton growers cut acreages of these crops, they grow more feed to compete with corn. But the corn grower cannot so easily switch to wheat or cotton. It looks as if the corn grower is pulling on the short end of the doubletree.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-4/55-12,180
PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Soybeans Lead Exports From the Corn Belt

The sun never sets on the foreign markets for U. S. farm products. Round-the-world buyers this year will take American farm products valued at about 3.2 billion dollars, about 10 percent more than last year.

The three leading U. S. agricultural exports are cotton, wheat and flour, and tobacco. The next four most important farm exports--soybeans, corn, lard and tallow--come from Corn Belt fields and feedlots. This ranking is based on exports during the first seven months, July-January, of this fiscal year. In this period, exports of these farm products were valued as follows (in millions of dollars): cotton, 413; wheat and flour, 268; tobacco, 225; soybeans, 101; corn, 70; lard, 50; and tallow, 48.

SOYBEANS AND CORN. Some of those golden soybeans you raised may go west to Japan or Formosa, east to the Netherlands or Germany, north to Canada, south to Mexico, or to any one of more than 20 other countries. Export sales during the year ending June 30 will probably total nearly 50 million bushels, up 15 percent from a year before. The oil from another 3 million bushels is finding markets in 30 foreign countries. Exports this fiscal year will equal about 15 percent of the 1954 crop.

Yellow corn from Illinois farmlands floats to markets in more than 20 different countries. Leading buyers are Great Britain, Canada, Mexico, Netherlands, Belgium and Japan. Sales for the year ending June 30 may be around 70 million bushels--about 2/3 as much as last year.

LARD AND TALLOW. Lard from Corn Belt hogs finds markets in more than 40 different countries. Leading foreign buyers are Cuba, Mexico, West Germany, Great Britain and Yugoslavia. Exports of lard this year may reach 500 million pounds--about one-third more than last year and one-fifth of total production.

We export about twice as much tallow as lard. The price of tallow is about half that of lard, so the dollar value is about the same. In the year ending June 30 we may export about a billion pounds of tallow worth 70 million dollars. Tallow from U. S. beef is sold in more than 50 countries. Among the largest buyers are Japan, West Germany, Netherlands, Mexico and Italy.

COTTON, WHEAT AND TOBACCO. In the mid-1920's, exports of cotton amounted to 8 to 10 million bales annually and took half of the cotton crop. Since then, government programs

(Continued)

"to help the farmer" have helped to give the cotton markets of the world to other producers. In the year ended last June 30, exports of cotton amounted to less than 4 million bales and to less than one-fourth of the crop. Exports of cotton have increased during the past 10 months, but some decline now appears likely.

Exports of wheat and wheat flour last year were equal to 219 million bushels, or about one-fifth of the 1953 crop. Exports so far this year are about one-third greater than last year. Most of the wheat that is exported is moved with a subsidy. The recent subsidy rates ranged from 59 to 74 cents a bushel.

Exports of leaf tobacco in the year ended last June 30 amounted to 456 million pounds, or 22 percent of the previous crop. Exports of tobacco are continuing this year at about the same rate as last year.

Last year we shipped more than 100 other farm products ranging from apples (150 million bushels) to walnuts (three million pounds) to virtually every country on the globe. The total volume of all farm exports this year will be equal to the output of 300,000 ordinary farms, or one of every ten in the United States.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blomward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-5/55-12,180

PERMIT NO. 1247

Wheat is heading out from midstate southward. Farmers soon will roll out their combines to start the harvest. It will begin first in the southern states and then move northward to the Canadian border.

With average weather, the 1955 crop should make between 825 and 850 million bushels. This prospective crop is the smallest since 1944.

But do not start looking for \$3.00 wheat or worry about where your next sack of flour is coming from. Take a look into the nation's wheat bins and you will see enough wheat already there to keep our flour mills busy for two years.

On April 1 U. S. stocks of wheat totaled 1,212 million bushels. Take out enough to last until July 1, the end of this marketing year, and there will still be about a billion bushels of old wheat left for carry-over into the next crop year.

NEEDS FOR FOOD AND SEED. Our biggest use for wheat is for flour, which takes 480 million bushels each year. Only 10 million bushels are used for breakfast food. Thus our total food needs take only 490 million bushels, or less than half of the prospective carry-over on July 1 of this year.

Farmers will use about 70 million bushels of wheat for seed. So our total requirements, food and seed, amount to only 560 million bushels, or about 56 percent of the amount of old wheat that will be left over from previous crops on July 1.

EXPORTS AND FEED. Foreign buyers may take up to 240 million bushels of our wheat in the next marketing year. The export price will probably be 60 to 75 cents less than prices in U. S. markets. Uncle Sam will make up the difference with tax money from the U. S. Treasury.

We will probably use around 100 million bushels of wheat in this country for feed. Add up the uses for seed, food, feed and exports--it makes about 900 million bushels that will likely be used in the next marketing year. This is 10 percent less than the stock of old wheat that will be on hand July 1.

(Continued)

Actually much of this stock of old wheat cannot be depended upon as a food reserve. Some of it is two or more years old. There are no reserve stocks of some kinds of wheat that are required for certain purposes. Other stocks are not desirable for milling purposes for other reasons.

The prospective carry-over, 1 billion bushels, plus the expected crop of 840 million would make 1,840 million bushels. Probable total domestic uses and exports seem likely to take around 900 million. That will leave 940 million bushels of wheat for carry-over on July 1, 1956.

PRICES. The U. S. average farm price of wheat for April was \$2.09 a bushel, or 3 cents more than one year before. Prices for different kinds of wheat at leading markets early in May ranged from around \$2 a bushel to nearly \$4. The lowest prices were paid for Red Winter (soft) varieties such as those produced in southern Illinois. Highest prices were paid for Amber Durum wheat, which is produced mainly in North Dakota. Hard Winter wheat brought \$2.20 to \$2.80 a bushel, depending mostly upon quality.

The national average price support loan rate to farmers for the 1954 crop was \$2.24 a bushel. The average loan rate for the 1955 crop will be \$2.06, unless Congress changes the rules governing price supports.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Blomquist

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-5/55-12,195

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Soybean Meal Prices Show Big Drop

Do you have a CCC loan on soybeans? If so, it will become due on May 31. Beans under CCC loan in elevators will become the property of the Commodity Credit Corporation on June 1. Beans stored on farms can be redeemed by the farmer until he is required to deliver them to the CCC. (As this is written, there is some talk of extending the maturity date for soybean price support loans.)

Recent market prices of soybeans have been slightly above the loan rate. Farmers with beans stored on the farm and under loan may be able to sell them, pay off their loan, and have several dollars left over. There may be little or no margin on beans stored in elevators on account of storage charges and related costs.

PRICES REVERSE USUAL TREND. Soybean prices did not advance after harvest last year as they have in most of the past 20 years. In fact, they actually declined. There were several reasons:

First, the soybean crop was by far the largest on record. It is estimated at 343 million bushels, 27 percent more than the previous crop and 14 percent more than the previous record crop of 1950.

Second, the market for soybean meal, one of the two major products made from soybeans, was not as strong as had been expected. Most of the soybean meal is fed to poultry and hogs. Farmers have more hogs and poultry than they had last year, but prices of hogs, poultry and eggs have been much lower during most of the past several months than they were a year earlier. These lower prices have made farmers less anxious to buy feed. On the other hand, there has been more competition on the selling side of the feed market. The result is that recent prices for soybean meal have been about \$40 a ton lower than those of a year ago. This lower price for meal takes \$1 a bushel off the value of each bushel of soybeans.

Recent prices for soybean oil have been about 2 cents a pound lower than those of the year before. These lower prices for soybean oil trim 20 cents a bushel off the value of soybeans.

(Continued)

Total value of the meal and oil from a bushel of beans is off about \$1.20, and actual prices offered for soybeans show about the same decrease.

FARM STOCKS UP. Stocks of soybeans on April 1 totaled 177 million bushels, one-third more than last year and one-fifth more than the previous record for the date set two years ago. Farmers were the largest holders, with 115 million bushels on farms, three times as many as a year before.

Crushings of soybeans during the six months October to March totaled only 126 million bushels, up only 4 percent from the low level of the year before.

Soybeans have moved into export at a record rate this year. Shipments to foreign countries from October to March totaled 40 million bushels, one-third more than a year ago.

With the rates of use and export now expected, the carry-over of beans on October 1 will be 20 to 30 million bushels compared with an average of only 4 million bushels.

ANOTHER RECORD CROP? Farmers have reported intentions to plant 20 million acres to soybeans this year, 7 percent more than in 1954. With average yields, such an acreage would produce another record-breaking crop of about 370 million bushels.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-5/55-12, 195
PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

A hog producer was recently seen to smile while reading a market report. It may have been the first time such a thing has happened in more than a year.

The hog market news was pretty glum from April 1954 until a few weeks ago. During that long year prices skidded from around \$28 a hundred pounds to \$16. It is good news to hog producers that prices have finally turned upward. Some recent top prices have been more than \$3 above the winter low, and several signs point to still higher prices during June and July.

Market receipts of hogs were relatively heavy during the winter and early spring. Slaughter during January to mid May was 18 percent greater than last year. In order to get the larger amounts of pork moved, retail prices were reduced and marketing margins were increased. Both of these market changes depressed the prices of live hogs.

MARKET SUPPLIES WILL MODERATE. Market supplies of hogs will probably shrink more than usual in June and July. This belief is based on a study of the monthly distribution of 1954 fall farrowings.

The 1954 fall pig crop was nearly 37 million head. This number was 16 percent more than the very small fall crop of the year before, but it was only 3 percent more than the 10-year average, 1943-52. In comparison with our growing population, last fall's pig crop was about 7 percent smaller than average.

The important thing to recall at this time is that the 1954 fall pig crop was farrowed very early. Fifty-five percent of the pigs came during June-August. Numbers of sows farrowing during this first half of the season were 18 percent greater than the 10-year average. The hogs from these farrowings have already moved to market.

By contrast, farrowings during the last half of the 1954 fall season--September-November--were 19 percent smaller than the 10-year average. These small farrowings will furnish most of the market supply of barrows and gilts during the next 60 days.

(Continued)

SMALL INCREASE IN SPRING PIGS. Several surveys indicate that this year's spring pig crop is about 5 to 6 percent larger than that of last year: (1) last December U. S. farmers indicated that they would have 5 percent more sows farrow spring pigs than they had last year; (2) a survey in six principal hog states on March 1 pointed to a 2 to 8 percent increase in spring pigs; (3) farrowings to May 1 in Iowa, the leading hog state, were 4 percent larger than last year.

THE FALL MARKET. These reports on the spring pig crop indicate that market supplies next fall will be moderately larger than they were last fall. Prices, however, may be nearly as high as those of a year earlier. To offset the small increase in pork supplies, consumer demand may be stronger and supplies of competing eggs and poultry smaller than last year. Supplies of competing beef may be a little larger during the fall than they were last year, but this increase is uncertain.

Finally, competition may squeeze marketing margins for pork, which were unusually wide last fall, to more nearly normal size, and this could support prices of live hogs even though retail prices are reduced in order to move the larger supply.

By way of review, prices of barrows and gilts at eight markets averaged \$20 last September, \$18.80 in October, and \$18.60 in November.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

Ill. EE278-5/55-12, 195

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

What will farm prices be in 5, 10, or 20 years? About the same as now, according to four prominent agricultural economists who spoke at the recent Farm Appraisal Conference held here at the University.

The speakers on this interesting, important, and hazardous question were Ernest T. Baughman, Assistant Vice President, Federal Reserve Bank, Chicago; William G. Murray, Professor of Agricultural Economics, Iowa State College; Thomas A. Porter, Research Director, Farm Credit Administration of St. Louis; and Lawrence J. Norton, Head, Department of Agricultural Economics, University of Illinois.

None of the speakers could see any large change in the average level of farm prices. Most of them believe that average prices of farm products will work a little lower over the next few years, mainly because more products are being produced than are being used at present prices.

If farm prices remain relatively stable for 20 years, it will be the first time in our history that this has happened. Why expect more price stability in the future than in the past?

The speakers pointed out that we have adopted a strong government policy of maintaining price stability. (This is in strong contrast with past policies, which usually were aimed at maintaining a silver or gold standard and paying off the national debt.)

Here are some points that were emphasized by the different speakers: Mr. Baughman said that the present large number of debtors would strongly oppose any move to increase the value of money, that is, to lower prices and wages or to allow them to decline. He also pointed out that some strong economic groups in the nation urge drastic government action to promote ever higher levels of employment and wages. He said that this pressure might eventually grow strong enough to bring higher prices at least for manufactured products.

He said, however, that prices of farm products seem likely to go a little lower because of present large supplies.

(Continued)

Mr. Porter said that our present rate of buying is being kept up by building up a large amount of credit. Since credit for many purposes already is very easy, further easing of credit may not be very effective in checking the next recession. He also pointed out that spending for defense is a tremendous factor in our present economy, now amounting to about 48 billion dollars a year. No one can forecast long-time trends in defense spending.

Professor Murray said that the idea of "normal" prices and values, very popular 10 and 20 years ago, does not have much support now. He appeared to be more skeptical than the others that prices can be stabilized.

Professor Norton said that, in his opinion, farm prices will remain within about 10 per cent of their present level for several years. We have higher prices than prewar because of (1) the devaluation of the dollar in 1933-34, and (2) a permanent increase in the supply of money that was created to finance World War II. Most U.S. prices are in line with world prices. Norton believes that banking authorities (The Federal Reserve Banks) will hold money and credit tight enough to prevent any inflation in the foreseeable future, barring war. Also large stocks of farm products and big output of industrial products will help hold prices down.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/55-12,130

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Prices of farmland in the midwest show little sign of agricultural depression. Prices of farms in eight midwest states rose substantially from last November to March, while those in four other states declined slightly. During the year ending with March, the dollar value of farmland went up in ten of the states and down in only two. These facts are shown in a recent report on the farm real estate market by the U. S. Department of Agriculture.

ILLINOIS. The USDA report shows that land values in Illinois eased off 1 percent from November to March. At the March level, prices were 2 percent higher than a year ago and 32 percent higher than five years ago. (Some unofficial reports indicate that the market for Illinois farmland in recent weeks has been firm to stronger.)

OTHER MIDWEST STATES. Three other midwest states--Missouri, Wisconsin, and North Dakota--show a decrease of 1 percent in prices of farmland from November to March. Only two states--Wisconsin and North Dakota--had lower prices in March than the year before. Each showed a decline of 2 percent from March 1954 to March 1955.

Price increases for farmland in ten midwest states for the 12 months ending with March ranged from 2 to 7 percent. Increases for individual states were: Illinois and Missouri, 2 percent; Kansas and South Dakota, 3 percent; Michigan, 4 percent; Nebraska, Iowa, and Minnesota, 6 percent; and Indiana and Ohio, 7 percent.

NATIONAL AVERAGES. For the U. S. as a whole, farm real estate values in March increased 1 percent over last November and 2 percent over March a year ago.

Who is buying farmland? In the U. S. as a whole, 70 percent of the buyers are farmers and 30 percent are nonfarmers. About 38 percent of the farms are paid for in cash, and 62 percent are bought on credit.

(Continued)

ARE FARMLAND PRICES TOO HIGH? Many people think so, but only Father Time will provide a final answer. In the meantime it is interesting to compare prices of farmland with farm earnings.

At present prices, average land values in the United States are about 7 1/2 times the net farm income for one year. Land values are higher in relation to farm income than they have been at any time since 1941. On the other hand, they are lower in comparison with farm income than they were in most of the years 1911 through 1940.

FARM VALUES AVERAGE 8.4 TIMES INCOME. Lowest prices of farmland in comparison with farm income occurred in 1943, when land values were only 4.7 times net income. Highest prices in comparison with farm income were in 1933, when they were 15.2 times net income. When we study all 44 years of record, we find that farmland values average 8.4 times annual net farm income.

Perhaps we can get a better picture of the relative value of farmland by comparing the combined values of real estate, machinery and livestock with farm income. The value of all of these items at recent prices is about ten times the net farm income for one year, which is about equal to the long-time average.

The facts listed above do not seem to give much support to the popular view that land is overpriced.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914
III. EE278-6/55-12,300
PERMIT NO. 1247

Prepared by Larry Simerl

PRODUCTION AND CONSUMPTION OF MEATS

You may have use for the information in the table below. It was prepared at the request of a farm adviser. We plan to send you additional information from time to time, and suggest that you prepare a suitable file folder for this and later materials in this new series.

The table shows the total production of meats in the first two columns, per capita consumption in the middle columns, and percentages that each meat is of total consumption in the last two columns. Beef makes up about 42 percent of our meat supply; pork, 36 percent; and chicken, 12 percent.

PRODUCTION AND CONSUMPTION OF MEATS IN THE U.S., 1954 AND 1955^{a/}

	Production		Consumption per person			
	1954	1955	1954	1955	1954	1955
	Billion pounds		Pounds		Percent	
Meats (carcass weights)						
Beef	13.0	13.0	79.2	78.0	43.4	42.2
Veal	1.7	1.7	10.0	10.0	5.5	5.4
Lamb and mutton	0.7	0.7	4.5	4.2	2.5	2.3
Pork (excluding lard)	10.0	10.9	60.0	66.0	32.9	35.7
(Total, four meats	25.4	26.3	153.7	158.0	84.3	85.5)
Poultry (ready-to-cook)						
Chicken	3.9	3.8	23.8	22.5	13.0	12.2
Turkey	0.8	0.7	4.9	4.3	2.7	2.3
Total meats and poultry	30.1	30.8	182.4	184.8	100.0	100.0

^{a/} The 1955 figures are partly forecasts.

Per capita milk sales in Chicago went up from .61 pint daily in 1940 to .82 pint daily in 1954, a net increase of 34 percent. This was over two and one-half times as much as for the entire United States (13 percent) during this same period. What caused Chicago milk sales to rise so much?

The three main reasons for greater milk sales were (1) higher consumer income, (2) lower prices to consumers, and (3) wider use of milk products, such as modified skim milk, flavored drinks, and buttermilk.

HIGHER CONSUMER INCOME. In 1954 estimated disposable income in Chicago averaged \$2,115 per person--nearly three times the 1940 figure (\$726). In other words, when the two amounts were reduced to the same purchasing power, people in Chicago had \$1.47 in 1954 for each \$1.00 they had in 1940. With more money to spend, they have bought more milk.

LOW PRICES TO CONSUMER. In 1954 thirty percent of all milk in Chicago was sold in gallon jugs compared with only 13 percent in 1950. Keen competition for both store sales and home deliveries has kept gallon prices below those for quarts or half-gallons. In May 1955 the USDA reported the store price for milk in gallon lots in Chicago as 69 cents, or 17 1/4 cents a quart. In some areas reported prices were as low as 54 cents a gallon, or 13 1/2 cents a quart. The low price for milk in gallon lots has been one important cause of the increase in Chicago milk sales. Another was the introduction of half-gallon paper containers in the summer of 1949.

Low-priced milk in stores has caused sharp price reductions in home deliveries. A study reported by the Chicago Daily Tribune covering 26 representative areas in Chicago in November-December 1954 showed an average price of 76 cents a gallon (19 cents a quart) for home deliveries, and 73 cents a gallon (19 1/4 cents a quart) for store sales. During these same months the reported price of single quarts for home deliveries was 25.5 cents. Litter milk is now sold in single quarts for home delivery in Chicago.

NEW MILK PRODUCTS. In 1940, sales of milk products, including modified skim milk, butter milk, and flavored drinks, in Chicago averaged .008 pint daily per person. By 1954, sales of these products had jumped to .044 pint daily, or five and one-half times. Wider sale of these products is another reason why milk sales in Chicago have increased faster than those for the United States as a whole.

HOW TO INCREASE SALES FURTHER? Greater efficiency, particularly in store distribution, so that the savings can be passed on to consumers, is the key to further increases in milk sales in Chicago. In May 1955 the dealers' gross handling margin, as measured by the difference between the lowest reported store price and the Class I price, was 10.7 cents a quart. This figure was 1.4 cents above the 24-city average (cities over 300,000) and considerably higher than that for the more efficient cities. For example, the dealers' gross margin in St. Louis in May 1955 was 7.4 cents a quart; in Detroit and New York, 7.3 cents; and in Minneapolis-St. Paul, 7.2 cents. In Washington, D. C., consumers could buy milk in gallon lots in May 1955 at 4.3 cents a quart above the Class I price paid to producers.

Roland W. Bartlett
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/55-12,400

PERMIT NO. 1247

Mark 1955 down as a boom year for business. More people have jobs now than in any previous year. They are turning out manufactured products at a record rate. Wages are at a record high--and going up. And cash registers are ringing up more and bigger sales than ever before.

Let's look at some of the things that indicate our economic pulse rate:

I INDUSTRIAL OUTPUT. Factories and mines turned out products at a record rate in April and May. Output was 10 percent greater than last year's and equaled the record set in 1953. Almost all types of industry are running at nearly full capacity. Almost all regions of the country show high-level activity.

The fastest moving industries include construction, automobiles, steel, chemicals, and the vacation business. Coal mining and textiles show less recovery.

Industry is most active in the Midwest and on the Pacific Coast and slowest in the East. Farm areas have been surprisingly strong buyers.

Of course, some industries will slow up this summer, but there will probably be less summer slump than usual.

EMPLOYMENT. Employment is at a record high and is climbing. From January to May over a million workers were added to nonfarm payrolls, more than twice as many as usual. Total nonfarm employment in May is estimated to have been 48.9 million, nearly one million more than one year before. Any able person who really wants to work can find employment, though some might have to go to another city or state to find a good job. The demand for college graduates is very strong.

WAGES. Manufacturing workers earned an average of \$76.11 a week in May. Weekly pay envelopes contained nearly \$5.00 more in May this year than last year.

(Continued)

SALES. Many new sales records have been established recently. Automobile sales reached a new all-time record high this spring. Now more sales pressure is being turned on to keep them up. Department store sales during the first half of June were up about 4 percent from a year ago. Total business sales are up 8 to 10 percent over last year.

CREDIT. Business expansion is almost always based on an increase in credit. Both personal and business debts increased markedly last year. Consumer credit (installment debt and charge accounts) reached 30.7 billion dollars at the first of May, up 11 percent from a year before. Early in June business loans, farm and nonfarm, reached 22.6 billion dollars, up 9 percent from a year earlier.

INVENTORIES. Business seems to be stronger now than it was two years ago. At that time large amounts of manufactured products were being piled up in warehouses and storerooms. There has been no excessive build-up of inventories so far this year.

AGRICULTURE. The business boom has not brought any general increase in most farm incomes. The big reason is that in recent years farm income has been supported above its natural level by government programs, insulating it to some extent from the effects of ordinary year-to-year changes in demand.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bltward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/55-12,400

PERMIT NO. 1247

The most important news each year for hog producers is the USDA spring pig crop report. Here is your summary of the 1955 report, which was recently released in Washington.

Farmers are boasting hog production more this year than they indicated earlier. The spring pig crop is 9 percent larger than last year, compared with intentions last December to increase 5 percent. (In official estimates all pigs born from December 1 to May 31 are counted as spring pigs; all others are called fall pigs.)

Farmers intend to breed 11 percent more sows for fall pigs than they did a year ago.

On June 1 farmers had 5 percent more hogs over 6 months old than they had 12 months before.

Many farmers made drastic efforts again this year to get early pigs so that they could beat the crowd to market. Farmers now have many more sows farrowing in February than they had 10 years ago, and fewer in April.

More than 8 percent of the spring farrowings were in January, compared with 6 percent last year. Over 18 percent of the 1955 farrowings were in February, compared with 17 percent in 1954. March farrowings this year made up 28 percent of the total, compared with 30 percent last year. Farrowings in April and May were 27 percent and 16 percent, respectively, of the total spring farrowings in both years.

Although the big increases in farrowings were in January and February we see that March still ranked first in number of farrowings, with April ranking second, the same as last year.

(Continued)

MARKET SUPPLIES. Weekly supplies are at or near their low for this year. Heavy barrows will continue scarce--hogs over 6 months old on farms June 1 numbered only 5 percent more than last year.

Marketings of new-crop hogs will increase more rapidly than usual in July and August. The largest market runs will be from October to December.

As compared with one year before, market supplies from July to September may be up 15 to 20 percent; from October to December, only 5 to 10 percent.

PRICE PROSPECTS. The supply situation points to some rough markets ahead. This is not so much because the supply will be abnormally large as it is because retailers and consumers have become accustomed to the small supplies of one and two years ago. Other foods have taken some of the space on retail counters and home tables that formerly was occupied by pork. Producers of hogs must now pay a painful price to win these places back for pork.

The late summer and early fall hog prices will probably be \$2 to \$3 lower than a year ago. This observer believes, however, that the prices during the coming winter may be about the same as last winter.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Penalty for Private Use to Avoid
Payment of Postage \$300

Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-6/55-12,400
PERMIT NO. 1247

Last year farmers made money by storing wheat. From harvest to their peak in late January wheat prices at Chicago and St. Louis went up 40 to 50 cents a bushel.

What are the prospects for 1955? Will the price of wheat go up enough to offset storage costs? It probably will but we cannot be certain. Here are the important points to consider.

CROP IS SHORT. The 1955 United States wheat crop is less than we will use and export between now and the 1956 harvest. The USDA estimates the 1955 crop will be 845 million bushels. Disappearance--use in the United States and exports--is expected to be about 900 million bushels.

So we will likely need to draw on old stocks to supply the 1955-56 market. How much and at what price this wheat will come into market use are two of the uncertainties in the wheat outlook.

SCARCITY IN MIDST OF PLENTY. Stocks of old wheat are large--about 1,000 million bushels--but this wheat is owned by the government and cannot move freely into market use. By Act of Congress, the USDA is prohibited from selling storable wheat into the domestic market for normal use at less than a prescribed formula price. This formula is five percent above the current support price plus normal carrying charges.

The applicable "current support price" during coming months is that announced for the 1955 crop. It is the equivalent of \$2.35 a bushel for No. 2 wheat at the Chicago and St. Louis markets. Thus the "legal sale price" of government wheat for domestic use would be \$2.48 a bushel and up at our two principal Illinois markets. In late June the market price for wheat was as much as 50 cents below this level.

GOVERNMENT CAN SELL IN EXPORT MARKET. The legal restrictions on sale of government wheat in the United States market do not hold for the export market. Exports are expected to run about 250 million bushels.

(Continued)

It is conceivable, therefore, that much of our free wheat from the 1955 crop of 845 million bushels could be left to supply the domestic market. At present the level of wheat feeding to livestock will be about 150 million bushels in 1955-56.

A policy of supplying the export market out of government stocks would be sound in view of our large wheat supply. It would, however, tend to hold down wheat prices.

AMOUNT OF 1955 WHEAT SEALED IMPORTANT. Against scarcity of free wheat is the issue. The more of the 1955 crop that is sealed under the loan program, the more prices are likely to rise later in the season. This is because it takes higher prices to redeem wheat than to keep it out of the loan.

A much smaller proportion of the 1955 crop will go under loan than last year. Market prices are higher while support prices are lower, so preharvest market prices are netting almost as much as the loan to farmers who do not have their own storage.

LONG-RUN PROSPECTS. Prices for the 1955 wheat crop should not mislead us about the true status of wheat. The long-time trend is toward lower wheat prices. Accumulation of stocks in government bins only delays the adjustment and will make it worse when it comes.

L. F. Stice
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-7/55-12,400

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

"Are We Raising Too Many Hogs?" is a question of vital concern to both grain and hog producers. Hog producers are concerned on two counts: They saw hogs from the 1954 crop sell at \$16 last winter, and they know that 1955 hog production is increasing.

Grain producers are concerned, or should be, because hogs provide the largest single market for corn and other feed grains. Stocks of corn, oats, barley and sorghum grains are now at record levels and are increasing. The only way to obtain a balance is by feeding more of these grains to livestock. But livestock producers will not use more grains unless they think it will be profitable to do so.

THE USDA'S ANSWER. In a recent issue of "The Livestock and Meat Situation," agricultural economists of the USDA analyzed future hog prospects in this way:

FALL AND WINTER. ". . . prices will decline seasonally this fall and will be considerably lower than last fall. ". . . by winter, when recovery usually begins, prices may not be much different from the low levels of last winter."

FIRST HALF OF 1956. ". . . supplies and prices of hogs will be at levels that allow no safety margin. Either higher prices for feed or reduced consumer demand for meat would cause distress in the hog industry."

THE SUPPORTING EVIDENCE. Much of the supporting evidence for the USDA's forecast was presented in the June 29 issue of this letter, but here are some additional points:

If estimates of breeding intentions and pigs saved materialize, the 1955 U. S. pig crop will be 101 million head compared with 92.4 million in 1954. We have raised more hogs in only three other years--105 million in 1942, 122 million in 1943 and 102 million in 1951.

(Continued)

However, the supply of pork per person may not increase as much as increases in hog production seem to indicate. With normal marketing of hogs, consumers may be called upon to eat only 1 1/2 pounds more pork per person in 1956 than the 66 or 67 pounds they will consume this year. We ate 70 1/2 pounds of pork per person in 1951 and 71 1/2 pounds in 1952, but beef supplies are much larger now than then.

PROSPECTS FOR FEED PRICES AND CONSUMER DEMAND. Barring drouths, the trend in feed prices during the next year or so will be lower. Carry-over stocks of feed grains are at record levels, 1955 crops are likely to be large, price supports on feed grains will be lower and competition from wheat will increase.

Whether consumer incomes will increase or even stay at present levels is more uncertain. If they do, farmers may be able to market at profits the larger production of hogs and other livestock that is needed to use the grain we are now producing.

L. F. Stice
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-7/55-12,400
PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Do you like tender, juicy beef? If so, here's good news for you. Farmers are fattening more cattle than ever before at this time of the year. According to the U. S. Department of Agriculture, farmers in 13 major feeding states were fattening 3,609,000 head of cattle on July 1. This number was an increase of 13 percent over last year, which was probably a record for the date.

Cattle-feeding operations have been greater all this year than they were a year earlier. Numbers of cattle on feed January 1 were up 8 percent from the year before, while April 1 numbers were 12 percent above those in 1954.

This report of bigger cattle-feeding operations is not cheering to farmers. Recent prices for fat cattle have been nearly 10 percent below those of a year ago, and the lowest for this time of year since wartime price ceilings.

13 PERCENT INCREASE IN ILLINOIS. Iowa continues to be the biggest cattle-feeding state. On July 1 Iowa farmers were feeding about 1,031,000 head of cattle, 9 percent more than last year. Illinois ranked second in the Corn Belt with 440,000 head, 13 percent more than last year. Nebraska was third, feeding 408,000 head, 3 percent more than one year before. The Corn Belt as a whole (11 North-Central states) reported over 2,800,000 head of cattle on feed, 10 percent more than last year. California feeders were fattening 457,000 head of cattle on July 1, 33 percent more than last year.

WEIGHTS. The weights of cattle on feed show one important change from last year: Weights over 1,100 pounds make up 12 percent of the total this year compared with only 9 percent in 1954.

KINDS. Seventy-two percent of the cattle on feed this year are steers compared with 75 percent last year. Twenty-five percent are heifers compared with 22 percent a year ago. Most of the remaining 3 percent are classed as calves.

(Continued)

TIME ON FEED. Cattle now on feed have been fed about the same length of time as last year. In the three leading corn-belt states, 20 percent have been on feed less than 3 months, 34 percent 3 to 6 months, and 46 percent more than 6 months.

LATER MARKETINGS. Most of the increase in cattle on feed seems likely to show up at the markets after September 1. Farmers in the four major feeding states said that they would send one million head to market before September 1, the same as last year. Headed for market after September 1 were 1,337,000 head of cattle, 25 percent more than last year.

For two years the beef cattle industry has been notable for its big volume and its stability. Beef production has averaged about 79 pounds per person per year compared with 50 to 60 pounds in most of the previous 25 years. Cattle numbers have leveled off at around 95 million head compared with 65 to 85 million in other years since 1930.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Bltoward

Director

Penalty for Private Use to Avoid
Payment of Postage \$300

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-7/55-12,400

PERMIT NO. 1247

Feed, feed everywhere! Almost everybody has feed this year. More, even, than last year's record supplies.

Bumper crops of oats and barley are in the bin. Near-record crops of corn and sorghum grain are nearing maturity. The hay crop is the largest on record. Most pastures and ranges are much better than they were last year. And Uncle Sam has so many bins of old corn that he hardly knows what to do with it.

These large supplies mean persistent downward pressure on prices and continued large production of livestock and livestock products.

LET'S PEEK INTO THE BINS. On July 1 stocks of corn totaled 1,577 million bushels, up 12 percent from last year. Stocks of oats added up to 315 million bushels, up 35 percent. At the same time there were 130 million bushels of barley, up 54 percent. Nonfarm stocks of sorghum grain amounted to 93 million bushels, 200 percent more than last year.

We will use some of the old corn and sorghum grain before the new crops are ready. Altogether, however, the total carry-over of old feed grains is expected to be about 38 million tons compared with 32 million tons a year ago.

LET'S LOOK AT THE NEW CROPS. Oats, the first feed crop to be harvested, were officially estimated at 1,513 million bushels in July. This total is 1 percent more than last year and practically equal to the record crop of 1945.

The barley crop is estimated at 384 million bushels, 4 percent more than last year and second only to the 1942 crop.

The corn crop is also expected to be the second largest on record. The July estimate was 3,450 million bushels, 16 percent more than last year.

(Continued)

No official estimate of the sorghum grain crop has been made, but a big acreage is growing well and a record crop may be produced.

Altogether this year's crop of feed grains could easily make 135 million tons, 13 million more than last year.

LET'S LOOK AT TOTAL SUPPLY. These new crops plus carry-overs of 38 million tons make a total supply of 173 million tons for the 1955-56 feeding year. That is 12 percent more than we had this past year. In addition, with lower support prices for wheat we will use more of that grain for feed.

LET'S LOOK AT CONSUMPTION. Use of feed grains is not keeping up with production. This year we will probably use around 116 million tons, including exports. With more hogs in the coming year we may even use around 123 million tons. These figures point to a carry-over of around 50 million tons a year hence--up about one-third from 1955.

LET'S LOOK AT PRICES. Recent prices for corn at Illinois markets were about 14 cents a bushel under those of last year. Bids for the new crop were down 20 cents or more. Prices for oats were off about a dime. The loan rate on 1955 corn will be based on \$1.58 a bushel, down 4 cents from 1954.

Uncle Sam will be a big seller of corn in the year ahead. He will own most of the 1,000-million-bushel carry-over expected on October 1. He can sell corn that is unsuitable for further storage, and corn for export, at market prices.

L. H. Simerl
Department of Agricultural Economics
Penalty for Private Use to Avoid
Payment of Postage \$300

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-7/55-12,400
PERMIT NO. 1247

Prices of eggs are not so high as seemed probable earlier this year. In fact, they have recently been 1 to 4 cents lower than they were a year ago. But there is still a good chance for them to move up 15 or 20 cents a dozen by October. During the coming winter and next spring, the average may be 5 to 8 cents above last year.

Farmers had 5 to 10 percent more hens (and pullets of laying age) in July than the year before. Poultrymen have held their laying hens longer than usual this year to offset in part the smaller number of chicks purchased for laying flock replacements. Recent hot weather, however, has probably cut egg production and speeded up culling.

HIGHER PRICES FOR EGGS THIS FALL. Farmers bought about 20 percent fewer chicks for flock replacement this year than last. Pullets from these chicks will furnish most of the eggs during the fall months. By September egg production may be around 10 percent lower than it was in 1954. Production is then expected to continue below year-before levels through mid-1956.

Costs of feed for poultry are now lower than they were last year, and they are likely to continue at these lower levels for a year at least. The lower feed costs, together with some improvement in egg prices, should put a little profit back into the egg business.

TOO MANY BROILERS COMING UP. Prices for broilers have recently been 2 to 4 cents above year-before figures. This rise has occurred even though market supplies have exceeded those of a year before. Further increases in supplies, however, will help to cut prices substantially before the end of the year.

Record numbers of broilers will be marketed during August and September. Placements of chicks in broiler areas point to 10 to 15 percent more broilers and fryers now than in August and September last year.

(Continued)

The demand for broilers often slacks off in the late fall and early winter. The reason may be increased competition from turkeys at that time. If broiler placements are not soon reduced, quite low prices are likely during the last few months of this year.

GOOD YEAR FOR TURKEYS. Earlier this year it appeared that turkey production would be overdone. Many producers took note of the situation and cut production. They are raising 30 per cent fewer of the light breeds than last year, though they have cut heavy breeds only about 3 percent. These figures indicate that there will be 7 to 8 percent less turkey meat than in 1954.

Prices of turkeys this fall may be up 3 to 5 cents a pound over those of a year earlier. These higher prices, together with lower costs for feed, may lead to some overproduction in 1956.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-8/55-12,400
PERMIT NO. 1247

What is ahead for Illinois farmers during the next few years? Here are some ideas about the future and some reasons for them.

FARM INCOMES may decline a little, but few operators on good farms will want to trade places with average city workers. Many other farmers will take part- or full-time jobs off the farm.

The "COST-PRICE SQUEEZE" will continue--and maybe increase. It is a normal condition applying to all privately owned, competitively operated businesses.

TECHNICAL PROGRESS will be faster than ever before. This will call for more know-how and more capital.

Farmers in Illinois and other parts of the Corn Belt may be pinched by national FARM PROGRAMS promoted by farmers in other areas. Feed grown on acres diverted from cotton and wheat is rapidly taking markets that were formerly supplied by corn growers. This diverts income from farmers in the Corn Belt to those in other states.

Farmers are producing, and being paid for, more corn and other feeds than are being used. The government may not continue such a program much longer. Farmers may soon have to choose between lower prices and more rigid production controls. Neither road leads to more income.

WHEAT is still overpriced in U.S. markets. Production is 1 1/2 times as great as the need for food and seed. The surplus must be sold for export or feed at lower than present market prices. Big wheat states in the West could make it rough on corn-belt wheat growers.

SOYBEAN PRODUCTION has doubled since 1945. One-sixth of the crop is exported. Home markets for soybean oil and meal are growing. Prices for soybeans represent real market values. Price supports have been at moderate levels. There are no surplus stocks and no production controls, but both will come if additional large acreages are diverted from other crops to soybeans.

(Continued)

THE BEEF INDUSTRY has expanded greatly in the past five years, but demand is holding up well. There are no price supports, but also no surplus stocks or production controls. Supplies of beef and competition from other foods, are not expected to change much. Profits from cattle feeding will vary from year to year, but the industry as a whole is in a more favorable position than most other farm enterprises.

HOG PRODUCTION is only about normal, but the share of family income spent for pork has dropped one-fifth in the past few years. On the other hand, stocks of corn are piling up, and the biggest use of corn is for hog feed. This adds up to continuing pressure for large production and low prices for hogs over the next few years. Lower prices for corn would make the hog business look more attractive.

THE OUTLOOK FOR DAIRYING is uncertain. Production and use are now in close balance. But with less butterfat being used for butter than formerly, a relatively small change in milk production may cause a large change in prices. And low-cost vegetable oils, mostly from soybeans and cottonseed, will provide increasing competition for butterfat.

THE POULTRY BUSINESS will continue its traditional year-to-year swings from high to low profits and back again. Big-scale operators will gain still more of the markets. Only egg producers who can sell a high-quality product for premium prices will make money consistently.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-8/55-12,400

PERMIT NO. 1247

Every time hog prices drop, farmers ask questions about pork imports, Polish hams, retail prices and marketing margins. Hog producers and pork users, too, naturally have a strong interest in these subjects, so we will give a quick report on these popular questions.

HOW MUCH PORK IS IMPORTED? During the 11 months ending with May, the imports of pork amounted to 153 million pounds. Did these imports have any influence on prices of hogs in this country? Probably, yes. But not very much. While imports of pork amounted to 153 million pounds, domestic production was 8,770 million pounds. Thus the imports amounted to less than 2 percent of our own production.

During the 11 months under comparison, imports of pork increased by 7 million pounds over those of a year earlier, while domestic production increased 965 million pounds, or more than 100 times as much.

Beginning in February of this year, imports of pork have been a little less than they were a year earlier. Our lower prices of this year are less attractive to foreign pork than the higher ones of 1954.

WHERE DO OUR PORK IMPORTS COME FROM? Canada is our largest supplier of fresh pork. The Netherlands (Holland) is the largest supplier of canned hams. Other important suppliers of canned pork are Denmark, West Germany and Poland.

Generally the imported pork products sell at higher prices than corresponding cuts produced in this country.

HAVE RETAIL PRICES OF PORK BEEN REDUCED? Yes, according to reports of the United States Department of Labor. The latest available nation-wide figures are for June. Prices of pork chops show the least decline, prices of bacon the most. Average reported retail prices of pork chops in June in seven midwestern cities ranged from 88 cents to \$1.05 a pound last year and from

(Continued)

90 to 96 cents this year. Over the same 12 months, prices for bacon declined from 83 to 87 cents to 63 to 70 cents. Prices of ham declined from 70 to 77 cents to 60 to 63 cents. Prices of lard were cut from 26 to 30 cents a pound in June 1954 to 18 to 23 cents in June this year.

According to the U. S. Department of Agriculture, retail pork prices averaged 49 cents a pound during the three months April-May-June of this year. This retail price was 9 cents a pound, or 15 percent, less than the average retail price one year earlier.

MARKETING MARGINS. Marketing margins for pork are reported at 21 cents a pound for April-May-June compared with 18 cents a year earlier. Are these margins too large? We have no proof one way or the other. It is normal for marketing margins on meats to shrink when supplies are scarce and to swell when supplies become more abundant.

Back in 1947-49 marketing margins for pork averaged about 17 1/2 cents a pound. Your grocer may point to higher wage rates--up 30 percent since 1947-49--as the reason for the larger margins now. But whatever the reason may be, larger margins cut down on returns to hog producers.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

Free-Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

III. EE278-8/55-12,400

PERMIT NO. 1247

The future trend in soybean prices is a popular topic for guessing games these days. Guess right, you make money or win fame. Guess wrong, you lose some dough or get a dunce cap.

Every soybean grower must decide when to sell his beans: he can sell before harvest for delivery at a later date, he can sell load by load as the beans come from the combine, he can store them on the farm or in commercial storage and sell later, or he can get a government price support loan on his crop.

The national average price support rate for the 1955 soybean crop is \$2.04 a bushel. The rate for the 1954 crop was \$2.22.

There are no large stocks of old soybeans. Stocks of old beans are not expected to exceed 10 to 12 million bushels on October 1, or about enough to supply our mills for two weeks.

One reason soybean prices are so difficult to forecast is that production is increasing rapidly. Soybeans became an important commercial crop only about 20 years ago. Production first exceeded 100 million bushels in 1941, topped 200 million in 1946, and seems likely to exceed 400 million this year.

The August estimate of the soybean crop is 420 million bushels, 77 million more than the record crop of last year.

The soybean market is further complicated by important and rather unpredictable export demands. Export markets are taking around 55 million bushels of the 1954 beans, plus the oil from about 4 million bushels. The countries that buy most of our soybeans are Japan, West Germany, Canada, the Netherlands, Formosa, France, Israel and Denmark. It is expected that foreign buyers will take 75 to 80 million bushels of soybeans from our 1955 crop.

(Continued)

A carry-over of 10 million bushels plus a crop of 420 million would make a total supply of 430 million, or one-fourth more than last year. Exports may take 75 million, seed 27 million, and the 1956 carry-over may be 15 million bushels. This would leave around 313 million bushels to be crushed in this country for oil and meal. This amount is about one-fourth more than the record crushings from the crops of 1950 and 1954.

A bushel of soybeans makes about 11 pounds of oil and 48 pounds of meal. Most of the oil is made into shortening and margarine, while the meal is used for livestock feed.

Soybean oil was recently priced around 11 cents a pounds, down 3 cents from a year earlier. Soybean meal was \$52 to \$53 a ton (bulk Decatur), down about \$35 from a year ago. These lower prices put these products in a much stronger competitive position than they were a year ago.

Futures markets point to average soybean values somewhere around \$2.00 a bushel to the farmer. Some price analysts think prices will range from about \$1.85 to \$2.25 a bushel during the coming marketing year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-8/55-12,500
PERMIT NO. 1247

Most Americans are not living on the fat of the land--they are eating better than that. They are carrying record amounts of good things to eat out of food markets and restaurants, and they are paying the bill with one-fourth of their income (after paying income tax).

Middle- and low-income families spend more than one-fourth of their income for food. High-income families spend less than one-fourth.

The main part of most American meals is meat. Consumption of meat will average about 160 pounds per person this year. This amount is more than we have had in any previous year of record except 1908. It is 4 percent more than we had last year, 9 percent more than in 1947-49, and 28 percent more than in 1935-39.

This year the average person will get 79 pounds of beef, 67 pounds of pork, 10 pounds of veal and 4 pounds of lamb and mutton. These four are the so-called red meats. They make up the 160-pound total.

In addition to these red meats, American families are enjoying large amounts of fish, poultry and eggs. The average person will eat about 11 pounds fish this year--the same amount as last year and 8 percent more than in 1947-49. (The years 1947-49 are used as a base for many government figures. They constituted a prosperous period between the regulated economy of World War II and the Korean War.)

The supply of chicken totals about 23 pounds per person--2 percent less than last year but 26 percent more than in 1947-49. We will have about 410 eggs--1 percent less than last year but 8 percent more than in 1947-49.

(Continued)

We will also use more of most dairy products than in most previous years. The important exception is butter, which will total only a little over 9 pounds per person this year compared with 17 pounds in 1935-39. Offsetting the decline in butter will be an increase in margarine, which will be up from 3 pounds per person in 1935-39 to over 8 pounds this year.

American families are using less fresh fruits but more canned and frozen fruits and juices.

As our level of living goes up, our use of certain foods is going down. For example, white potatoes have dropped one-fourth, sweet potatoes two-thirds, wheat flour one-fourth and corn meal one-half.

Sugar consumption stays about the same. We will use about 95 pounds this year--not much change from last year or 20 years ago.

For all this good eating the average wage earner will pay out about \$975. The farmer's share of this money will be about \$400, or 41 percent. This is less than the average of the past five years (46 percent) but a bit more than the average of the five prewar years 1935-39 (40 percent).

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Bltoward

Director

Penalty for Private Use to Avoid
Payment of Postage \$300

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-8/55-12,550
PERMIT NO. 1247

World War II ended 10 years ago, so this should be a good time to see how things have been going on the farms of the nation.

During the war we heard much talk about high prices and many prophecies of lower prices to come after the war. We also had forecasts that several million persons would not be able to find jobs after their war jobs ended or after they were discharged from military service.

But the years following World War II brought many surprises. Prices went up instead of down, and labor shortages were more of a problem than unemployment.

August 1945 was the last month of the war. At that time the index of farm prices was 206 (1910-1914 averages equal 100). After price controls were lifted, average farm prices went up 50 percent, reaching a peak in January 1948 with an index of 310.

Farm prices worked lower during 1948 and 1949, and by January 1950 the index was down to 235. They then rose again during the first half of 1950. In midyear the Korean War brought on a wave of spending and speculation that boosted the farm price index to 313 in seven months.

During the Korean War farm prices reached their peak in February 1951. Since that time the farm price index has declined persistently. In August of this year, it was 233. At this level average farm prices were 25 percent lower than at the peak in 1951 and 1 percent lower than at the previous postwar low in 1950, but 13 percent higher than when World War II ended.

For farmers the pinch has come from the cost side. The index of prices paid by farmers stood at 190 when World War II ended (again 1910-1914 = 100). Average prices paid went up 53 percent in the next seven years, reaching a peak early in 1952. Since then they have declined only slightly.

(Continued)

In August of this year, the index of prices paid by farmers was 279. At this level, average prices paid were down only 3 percent from their peak of three years ago and up 41 percent from the level at the end of World War II.

Comparisons with pre-World War II prices give a quite different picture. August 1939 was the last month before World War II began in Europe. Average prices received by farmers in August this year were 159 percent higher than the prewar figure, while prices paid were up 130 percent.

Altogether the 10 years since World War II have been better than most experienced farmers expected. Many changes will come in the next 10 years. Some farmers will get ahead, while others will slip back. You can be in the group that gets ahead.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-9/55-12,955
PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Some days it just doesn't pay to get out of bed--everything we do seems to be wrong. Take the hog business, for example. Usually when we ship heavy hogs, we have to sell them at a big discount, and the market people tell us that the consumer wants cuts from a 200-pounder. So next time we ship some 200-pounders and find that they are paying top prices for 240- to 270-pound hogs. What goes, anyway?

Market prices sometimes look crazy to the casual observer. But usually they make good sense when we find out the reasons for them. Let's see if we can make some sense out of the hog market.

Most consumers prefer the pork cuts from hogs weighing around 200 to 220 pounds. Lighter hogs produce too many thin slabs of bacon and too many little pork chops. Heavier hogs are likely to have excessive amounts of fat. There is, however, a steady demand for a small number of heavy hogs all year round. Most of the time there are more than enough to fill orders for them, so they sell at a discount under the more popular weights.

It is a different story in the late summer and early fall. Very few farmers then have heavy hogs for sale. They know that prices are likely to go down, so they sell their hogs as soon as they weigh 200-220 pounds. A lot of farmers even sell at much lighter weights--as low as 150 to 180 pounds. These light hogs sell at big discounts because they have poor cut-out values.

Meantime the demand for a small number of heavy hogs continues as usual, but there are not enough to fill the orders. The buyers who want these few heavy hogs gradually raise their bids or, more likely, they hold up the bids for the heavier butchers longer than their bids for the rapidly increasing supplies of lighter weights. By September or so, average prices for the few heavy hogs are

(Continued)

slightly above the average for hogs weighing 200 to 220 pounds. Later in the fall farmers will send in many more heavy hogs, and they will again sell at a discount.

Some market men say that the demand for the heavier hogs comes from German families in certain areas. This may not be correct, but there is no doubt that there is a strong demand for a small number of heavy hogs at all times of the year.

Would it pay farmers to feed their hogs to 240 to 270 pounds? Possibly at other times of the year, but seldom in the summer or early fall. Prices often slide off rapidly during August and September. During these months a hog producer will usually be better off to sell as soon as his hogs weigh over 200 pounds. Heavier hogs may bring a little more money on the day he sells his 200-pounders, but usually by the time he could put another 40 to 70 pounds on them the prices for all weights would be substantially lower.

Most of the seasonal decline in hog prices this year may have come last summer. We now expect the seasonal low to come in November, at \$14 to \$15 for top hogs. But maybe this is one of those days when everything we do goes wrong.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-9/55-12,755

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Most of the 1955 crops were made before the drouth became serious. But some late summer developments may have some important influences on the markets for farm products.

The feed supply is record large--in spite of late summer drouth. Carry-overs of corn and other feed grains are the largest on record. The hay and oat crops reached new highs. Production of barley and sorghum grain was far above average. And the corn crop is still estimated to be a little larger than last year and nearly equal to the 10-year average.

Here are some of the figures: The carry-over of old feed grains adds up to about 39 million tons compared with 32 million last year. Production of the four feed grains is estimated at 127 million tons compared with 122 million last year. This makes about 166 million tons against 154 million tons a year ago.

Numbers of grain-consuming animals are about the same as last year, except for hogs, which are up 10 percent. Altogether there appears to be around 5 percent more grain for each animal than there was a year ago.

Uncle Sam owns, or has loans on, about three-fourths of the old corn and other carry-over feed grains. He will probably get 10 to 15 percent of the 1955 corn crop, but he is likely to sell up to half that much from stocks on hand.

The corn crop is distributed much differently this year than it was last year. Iowa and Nebraska have poor crops. Northern Illinois has less corn than last year, but southern Illinois has much more. Most of the southern and eastern states have good corn.

The poor crop in the western Corn Belt will likely cut cattle feeding in those areas. This should reduce the demand for feeder cattle and make opportunities for cattle feeders who have more feed.

(Continued)

Hog production, too, may be cut back in the drouth areas. This would reduce pressures on hog markets beginning about December 1956.

If many hogs are held back to clean up the cornfields, the market may be overburdened with pork again this winter. We believe, however, that the odds are about two to one that the seasonal low in hog prices will be late this fall, rather than during the winter as it was last year.

There are three reasons for expecting the low in prices to come this fall: (1) The spring pig crop was earlier than ever before; (2) farmers, remembering the low prices last winter, will sell earlier; and (3) the packers, who bought pork for storage at relatively high prices last fall, will be more cautious buyers this time.

Large amounts of the 1955 corn crop may never be harvested. The stalks are very weak from injuries by corn borers and rot. In many areas much corn already has fallen to the ground. Strong winds before harvest would drop many more millions of bushels to the earth.

If dry weather continues, some of the fallen corn will be saved by livestock. However, heavy rains and early snows would prevent much salvage.

Another point--if the weather favors a rapid harvest, prices of corn may be reduced by pressures from large marketings. On the other hand, a slow harvest would help prices to hold up during October and November, and they might even work a little higher before the harvest is completed.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-9/55-12,755

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Returns from cattle feeding next year may be about average. Average returns are just about equal to costs of feed, labor, interest and overhead.

Recent prices of stockers and feeders ranged from about \$14 to \$22 a hundred pounds, depending on quality, age and condition. Costs of gains will be about \$15 to \$24 a hundred pounds on most farms. These costs are based on corn at \$1.20 to \$1.30 a bushel. They will run lower only where cheap roughage makes up most of the ration.

Recent costs of feeder cattle and prospective average costs of gains are about the same as recent prices of slaughter cattle. Under these conditions some cattle feeders can make money, while others cannot.

There are four major economic risks in cattle feeding: (1) Feed costs may advance unexpectedly. (2) Market supplies may increase sharply. (3) Consumer demand may decline. (4) Marketing margins may swell, leaving less of the consumer's meat money for the farmer.

FEED COSTS. Prices of feed are lower than they were a year ago, but some advances are likely during the feeding season. The key to corn prices will be the amount of corn sold by the CCC. During the past year this agency sold 2 to 3 million bushels a week, but its stocks are now larger than they were a year ago. There is some talk that CCC will slow its sales of corn after its take-over of the 1954 crop is completed.

BEEF SUPPLY. Our beef supply reached an all-time high of 79 pounds per person in 1954. It is about the same this year, and no important change is expected in 1956. Cattle numbers are at an all-time high of 95 million head, but for two years the slaughter of cattle and calves has just about offset the natural increase. Heavy slaughter of cows in 1956 could boost beef supplies considerably above present levels, but that is not expected. There is always the possibility that large marketings of fed cattle will be crowded into some short period and bring on low prices.

(Continued)

DEMAND. Consumer demand for beef is remarkably strong, and it is expected to hold up well in 1956. Jobs are available for everyone who is able and willing to work, although not always in the places where the workers want them. Automobile production and the building of new homes may slow up in 1956. Moderate cutbacks in these industries may be offset by increased expenditures for (1) consumer services and nondurable goods, (2) new industrial and commercial plants and equipment and (3) roads, schools, etc. Any reduction in federal taxes would help to support consumer buying power. Key points to watch are housing starts, outlays for new plants and equipment, and federal taxes.

MARKET COSTS. Marketing costs lagged behind farm prices from 1940 to about 1948, but they have been catching up in recent years. Wages make up most of marketing expenses. The recent round of wage raises may add to marketing costs, but no large increase in costs is expected if the volume of beef to be handled does not become excessive.

SUMMARY. The beef cattle industry has stabilized at a very high level of production and consumer demand. No big changes are in sight. Successful, experienced cattle feeders can probably make some profit in 1956. On the other hand, mistakes of beginners in buying, feeding and selling may provide expensive experience.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

III. EE278-9/55-12,755

PERMIT NO. 1247

Down on the farm they have built a new addition to the maternity ward. The stork worked 24 hours a day during August and September, dropping off a bundle from somewhere every two seconds. Each bundle contained 6 to 10 squirming piglets--in pink, red, black and two-tone color jobs.

Old Doc Stork himself has been too busy to add up the total number of pigs he has delivered, but Uncle Sam has been getting some information from farmers. He has come up with some important new facts about current and prospective trends in hog production and pork supplies.

According to reports to Uncle Sam, the 1955 fall pig crop will be the largest on record except for two years during World War II. Prospective supplies of pork available for each person, however, may fall short of the 71 pounds per year that we ate in 1951 and 1952.

New reports are available for nine midwest states from last June 1 through next February. These nine states--Illinois, Iowa, Indiana, Ohio, Missouri, Wisconsin, Minnesota, and South Dakota--usually produce about two-thirds of the nation's pork.

Sow farrowings in the nine states during the June-August quarter were 11 percent greater than they were one year before. Expected farrowings for the September-November quarter are up 15 percent over last year. But for after November farmers tell a different story. They say that they intend to cut farrowings during the December-February quarter 2 percent below those of a year earlier.

In official tabulation, all pigs born during the first two quarters mentioned, June-August and September-November, are counted as fall pigs. Pigs born during December-February are included with the spring pig crop.

(Continued)

The number of sows farrowing in the nine states during the fall season--June-November--will be around 12 percent larger than last year. The actual number of pigs saved will probably show about the same increase. If, as seems likely, the other states show a similar increase in hog production, the 1955 U. S. fall pig crop will exceed 41 million head. This number is 12 percent greater than last year and 3 percent larger than the previous peacetime record fall pig crop of 1951.

The total supply of pork in prospect may be a record for peacetime years, but the supply per person will likely fall short of the postwar high of 72 pounds in 1952.

After reaching 72 pounds per person in 1952, the supply dropped to only 60 pounds in 1954. While the per capita supply of pork shrank by 12 pounds, the supply of beef and veal increased by 20 pounds. Thus the supply of beef and veal increased much more than enough to offset the decrease in pork, and very few consumers even noticed the change.

Pork supplies began to increase about a year ago. The supply for this year is estimated at 66 to 67 pounds per person, about the same as the average since World War II. The supply for next year will likely be around 69 pounds per person.

Prices of both hogs and pork have been cut sharply below year-ago levels in order to move the larger supplies. Additional moderate price reductions are likely during the next 60 days, but the winter should bring a little improvement if farmers do not flood the market with heavy hogs. Top prices seem likely to range between \$14 and \$20 during most of the next 12 months.

L. H. Simerl

Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free-Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

III. EE278-10/55-12,785

PERMIT NO. 1247

Many farmers have asked, "Why has farm income gone down while the income of most other groups has gone up?" This is an important question, and it deserves an honest answer.

As a first step in answering this question, let's look at three facts about farm and nonfarm income:

1. In a general way the incomes of farmers and nonfarmers tend to rise and fall together. During severe depressions, such as the 1930s, both farmers and nonfarmers suffer. During wars and other inflationary times, farmers and most other groups enjoy increasing incomes.

For example, from 1929, a year of general prosperity, to 1932, a year of severe depression, farmers' cash receipts dropped 58 percent, the incomes of industrial workers dropped 56 percent, and corporate profits changed to losses.

And from 1940 to 1952 cash farm receipts increased 300 percent, the income of industrial workers went up 270 percent, and profits went up about 300 percent.

2. The second basic fact about the relation of farm income to the income of other groups is that during an inflation the net incomes of farmers go up much faster than the incomes of most other people. Then, later on, farmers lose their temporary advantage.

Here are the official figures: In 1940 gross farm income was 10.9 billion dollars and production expenses were 6.6 billion, leaving an operators' net income of 4.3 billion dollars. By 1947 gross income was 34.0 billion dollars, expenses 17.2 billion, and net income 16.8 billion. Thus production expenses went up 163 percent, gross income climbed 212 percent, and net cash income ran up 290 percent.

While net income of farm operators went up 290 percent, the average annual income of the employed industrial worker went up only 97 percent.

(Continued)

After 1947, wages in industry began to catch up with the procession of inflation. Rising wages and other costs increased marketing margins, leaving a smaller and smaller share of the consumer's dollar for the farmer. Then, too, rising wages increased the costs of machinery, fuel, and other things that farmers require in operating their farms. And, finally, higher pay for industrial workers boosted farm living costs so that each dollar of the declining net farm income buys less than it did in the years before 1950.

3. In the long run still another fact prevents farm income as a whole from advancing as fast as total nonfarm income. That is the trend toward industrialization. During the past 200 years an ever-increasing proportion of our people have been working in industry and commerce. At first their share of the national income was small. Now, as a larger share of workers are employed off farms, their share of the national income is increasing and the farm share is decreasing.

A lot more could and should be said about the decline in farm income while national income goes up. We will say more sometime soon, but right now we are out of space and time.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis R. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-10/55-12,785
PERMIT NO. 1247

Prices of farm land continue to show remarkable strength. According to reports to the United States Department of Agriculture, the United States and Illinois averages went up 5 percent in the year ending in July.

In most other midwestern states land values went up even more. Missouri and Kansas each showed increases of 6 percent; Iowa and Nebraska, 7 percent; Indiana and Ohio, 8 percent; and Minnesota, 9 percent. Michigan values went up 5 percent during the year, the same as Illinois, while Wisconsin had an increase of 3 percent.

Outside the Corn Belt the most important increases were as follows: Six eastern states, Pennsylvania, New Jersey, Maryland, Delaware, Virginia, and North Carolina, 5 or 6 percent each; two range states, Montana and Texas, 6 and 8 percent respectively; and Florida, 10 percent.

Only three states reported declines in land values during the year ending in July: Wyoming, 2 percent; Vermont, 2 percent; and Maine, 4 percent.

Why did land values go up while prices of farm products eased down? We can list four possible reasons:

1. Many farmers need more land in order to use their machinery more efficiently, and some of them bid strongly on any land that is offered for sale in their communities. About one-third of all farms and tracts sold in 1954-55 were bought to enlarge farms, but in the Eastern Corn Belt, which includes Illinois, two-fifths went to make farms bigger. In the wheat areas nearly three fifths of the lands sold were added to existing farms.

2. In some good land areas, such as the Corn Belt, easier credit probably helped to lift land values. Some interest rates were reduced in the spring of 1954, and appraised values were increased so that buyers could get larger loans. Sixty-four percent of the sales were made on credit compared with 62 percent the previous year. The average debt was 59 percent, the same as the year before.

(Continued)

3. A third reason for the advance in land values is that crops were generally good this year, and prospects were especially good up to the end of July.

4. In some areas business and professional men have been important buyers of farm land, but they bought less in the past year than during the previous year. In the North Central States about one-third of the farms sold were bought by nonfarmers, one-third by tenants, and one-third by farmers who already owned some land. Outside the Corn Belt farmers who already owned some land bought more than half of all the lands offered for sale.

Compared with prewar 1940, average prices of farm land have increased more than prices of farm products. Land values have increased 159 percent and farm products 135 percent over 1940. Prices of other things that farmers buy have increased only 124 percent.

Farm-land prices are much higher in the Eastern Corn Belt (including Illinois) than in any other large type-of-farming area. The average price for "good land" in the Eastern Corn Belt is reported at \$330 an acre compared with \$100 to \$200 for "good land" in most other areas. The higher prices being paid for some Illinois farm land is largely a reflection of its superior producing capabilities compared with farm land in other states.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-10-55-12,785
PERMIT NO. 1247

Farmers have been holding back too many cattle in feedlots. Now we face the prospect of an overabundance of beef for two or three months. This is good news for consumers who enjoy fine beef, but it won't do much to refill the cattle feeder's pocketbook.

Back on July 1 farmers in Illinois, Iowa and Nebraska were feeding 8 percent more cattle than they fed the year before. But from that date through September they marketed 7 percent less cattle than during the same period last year. They also put 1 percent more cattle into their feedlots. And so, on October 1, farmers in these three states had 18 percent more cattle in their feedlots than they had a year ago. State by state the increases were: Nebraska, 2 percent; Illinois, 20 percent; and Iowa, 25 percent.

Farmers in all other corn-belt states reported even larger increases in cattle on feed over a year ago. The increases by state are: Indiana, 26 percent; Ohio, 28 percent; Missouri, 30 percent; Minnesota, 35 percent; Kansas, 38 percent; and South Dakota, 76 percent. Altogether it is estimated that the nine corn-belt states had 25 percent more cattle on feed October 1 than they had a year before.

Comparable figures were released for one other state--California. Out there feedlots were filled with 19 percent more cattle than last year.

The holding-back tendency has also boosted weights of slaughter cattle and of cattle still on feed. At mid-October the average weight of slaughter steers at Chicago was 1,133 pounds, 62 pounds more than the year before.

Illinois farmers were feeding about 390,000 head of cattle, placing the state second in cattle feeding in the Corn Belt. Iowa, as usual, ranked first with 798,000 head, while Nebraska was third with 348,000. The number on feed in California was estimated at 498,000 head compared with 2,615,000 head in the nine corn-belt states.

(Continued)

If farmers market cattle as they reported was their intention on October 1, they will move most of the excessive numbers in feedlots before January 1. It appears, however, that actual marketings during October were not so large as reported intentions indicated they would be.

Contrary to popular opinion nearly as many feeder and stocker cattle have moved into the Corn Belt since July 1 this year as last. Receipts in August were less than last year, but the figures for July and September were the same as a year before. During the three months, 950,000 stocker and feeder cattle--only 5 percent less than last year--were received in nine corn-belt states.

Considerably fewer feeder and stocker cattle have been moving through terminal markets this season than last year, but more have moved direct. During the three months from July through September the 10 leading markets handled 16 percent fewer stockers and feeders than they handled one year before.

This has been one of those exceptional years in the cattle market. It opened with Choice steers at Chicago selling for around \$27 a hundred pounds, the highest prices in many months. The market held near this level through the cold weather. The usual winter price decline was delayed until spring. Then the usual summer to fall price advance failed to develop.

Since there has been no seasonal price advance this year, the market is in a good position to resist a seasonal decline during the winter.

The present situation seems to call for selling all cattle that have put on finish about equal to their bred-in quality and replacing them with lighter and younger stock.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May and June 30, 1914

III. EE278-10/55-12,795

PERMIT NO. 1247

Corn prices have recently been 30-35 cents lower than they were one year ago. Why?

We can list four reasons: (1) Hogs, the principal users of corn, are \$5 cheaper than they were then. (2) Beef cattle are \$2 to \$4 cheaper. (3) The supply of corn is 6 percent larger. (4) Supplies of other feed grains have increased 20 percent.

The price of corn has broken below \$1.00 a bushel one other time since World War II. That was back in November 1949, when the average Illinois farm price was 99 cents a bushel at midmonth. After that the price moved up to and stayed around \$1.18 during the winter and climbed to \$1.35 in May.

We can expect some price increase this year, but conditions are less favorable for a price advance now than they were in 1949. Stocks of old corn on October 1 amounted to 1,024 million bushels compared with 920 million a year ago. The present carryover is at least three times the normal amount, but it is only one-third of an average crop. It is more than twice as much as was grown in Illinois this year. The carryover of old corn is large enough to supply all of our industrial needs and export markets for three years.

Uncle Sam owns about four-fifths of the carryover, but that does not keep it from affecting the market. A lot of this corn is three years old, and some is older. As corn gets older, more of it goes out of condition and must be sold. Furthermore, the government must make room for more corn coming under current price-support operations. During the year ending with September, sales of government-owned corn totaled 150 million bushels; and in the preceding year, 203 million bushels.

The 1955 corn crop is estimated at 3,118 million bushels. This crop is 5 percent larger than last year's and 1 percent above the 10-year 1944-53 average. It is 9 percent more than the total amount of corn used, wasted and exported in the past year.

(Continued)

The total supply of corn for the year beginning October 1 is 4,142 million bushels--6 percent more than last year. Domestic use and exports may take about 3,000 million--up 5 percent from last season. Total carryover next October 1 may therefore be around 1,100 million, with the supply outside government hands about the same as it is this year.

The price support--acreage restriction programs for cotton and wheat are bearing down heavily on the corn market. Much of the land diverted from these crops has been planted to oats, barley and sorghum grain. Production has increased about 50 percent since 1952. This year the production of oats, barley and sorghum grains equaled corn production of about 1,335 million bushels, or as much corn as was produced in the four states of Indiana, Illinois, Iowa and Nebraska. The supply of these three grains--oats, barley and sorghum grains--including carryovers and new crops, is one-fifth greater this year than it was only a year ago. They compete with corn as live-stock feed here at home, and in our export markets.

The seasonal advance may carry prices for corn at local markets in Illinois to \$1.20 to \$1.30 by next summer. The big question marks that will control market forces will be (1) what happens to hog prices and (2) how much government-owned corn is sold during the year.

During the past year the government took over about 250 million bushels of corn under price support operations, or 100 million more than was sold. In the year just beginning the government may take over 250 to 300 million bushels of corn, while sales seem likely to be anywhere from 100 to 200 million bushels. Even if government sales are kept near the lower figure, no shortage of market corn is expected.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-11/55-12,855

PERMIT NO. 1247

The hog market is probably near its low for this season. Recent prices were \$4 to \$5 lower than those of one year before, and the lowest since wartime 1944, when hog production reached an all-time high. Wholesale prices for pork cuts were \$5 to \$10 a hundred pounds lower than a year ago.

Here are some reasons for thinking that hog prices may have reached a firm bottom:

1. Farmers have been selling hogs faster than they did last year. In September and October they sold about 14 percent more hogs than the year before, although the spring pig crop was only 9 percent larger. This means less pork per hog slaughtered and less backing-up of hogs on farms. Farmers may remember the poor markets of last winter and plan not to get caught in them this year.
2. Hog prices are unusually low in relation to prices of most other products.
3. Consumer buying power is about 7 percent greater than it was a year ago and is still increasing.
4. Recent prices offer packers and retailers good opportunities to make attractive profit margins, so they will buy aggressively for resale and storage.

In recent years hog prices have averaged lower in December than in any other month. Earlier marketings seem likely to bring the low in November in most future years.

Hog prices usually rise 15 to 20 percent from their fall low to their winter high. While they may be bumping on bottom now, they are not likely to bounce much this winter. Farmers are raising many more fall pigs than they formerly raised, and this fall crop supplies a lot of pork in the late winter and spring.

The fall pig crop (June-November farrowings) probably totals more than 41 million head. This number is about 3 percent more than the number produced in 1951, the previous record for peacetime years. The 1955 spring pig crop of 60.5 million head was not a record for peacetime years, being 3 percent below that of 1951.

(Continued)

Even though prices could climb a bit, it may not pay to hold back your hogs unless you need them to salvage corn from the fields. We have no insurance against a further price decline. Discounts for heavy hogs usually increase during the winter because farmers ship increasing numbers of this weight.

Large discounts on heavy hogs usually continue through March. During the winters from 1947 through 1953, 240- to 270-pound hogs sold around \$1 lower than 200- to 220-pound weights. Prices of hogs weighing over 270 pounds were discounted still more.

There is still danger that farmers will hold back too many hogs and build up excessive numbers of heavy hogs for the winter markets. Corn is cheap, making costs of additional gains low. Much corn is lying on the ground and cannot be saved except by keeping hogs in the fields. If 1956 spring farrowings are not increased, a larger proportion of gilts will be marketed this winter than last winter.

The quarterly pig crop report, issued in September, indicated that farmers in the Corn Belt planned to have 2 percent fewer sows farrow in December, January and February than they had a year ago. Later farrowings in the Corn Belt, and also outside the Corn Belt, may show a slight increase over 1955.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-11/55-12,900

PERMIT NO. 1247

Farmers achieved a record crop production in 1955 despite acreage restrictions on their "Big 4" crops--corn, wheat, cotton and tobacco. Total production of all crops this year matches the previous all-time high output of 1948. Over-all average per acre yield was 9 percent above the previous record, also set in 1948. Thus farmers this year equaled the record production of 1948 with 8 percent fewer acres.

Since 1952, the last year without acreage restrictions, harvested acreage of wheat has been reduced from 71 million to 47 million, and acreage of cotton from 26 million to 17 million. Some farmers have also reduced their corn acreage, but others have increased it, so the total remains at 81 million acres, the same as in 1952. Land planted to tobacco has been reduced from 1.8 million acres to 1.5 million.

CORN AND WHEAT. The 1955 corn crop is estimated at nearly 3.2 billion bushels, 7 percent more than last year and 3 percent above the ten-year average. The carry-over was over 1.0 billion bushels, so the supply totals 4.2 billion compared with 3.9 billion a year ago.

Wheat production in 1955 is estimated at 916 million bushels, which is 6 percent less than last year and 20 percent less than average. Per acre yield was 13 percent greater than the 10-year average. Carry-over was 1,021 million bushels, or 13 percent more than the year before. This carry-over is the first in history to be larger than the new crop.

COTTON AND TOBACCO. The cotton crop this year is about 14.8 million bales, 8 percent more than last year and 17 percent more than average. The carry-over totals 11 million bales, making a supply of 26 million bales, or 11 percent more than a year ago. Production of cottonseed, which competes strongly with soybeans, is estimated to be 6.1 million tons, or 9 percent more than in 1954.

Tobacco production is estimated at 2,278 million pounds, 2 percent more than last year on 9 percent fewer acres and 8 percent more than the 10-year average, although it was produced on 14 percent less acres than the average.

(Continued)

SOYBEANS. Soybeans, the nation's fifth ranking money crop, are estimated at 372 million bushels, 8 percent more than last year and 56 percent more than the average for the 10 years 1944-53. Soybeans have increased from 14 million acres in 1952 to 18 million this year.

Most of the United States had better than usual crops this year. The only large region having poor crops was the Great Plains, where yields were low in a belt from southern Texas northward through Oklahoma, Kansas, Nebraska and South Dakota.

COMPETING FEED CROPS. Production of all of the four principal feed crops that compete with corn and soybeans was far above the 10-year average, and two of them reached new record highs. The hay crop totaled 110 million tons, 5 percent more than last year, 8 percent more than average and a new record high. Oats totaled 1.6 billion bushels, 9 percent more than last year, 24 percent more than average and also a new record. Sorghum grain is estimated at 227 million bushels, 11 percent more than last year and 67 percent more than average. Barley totaled 387 million bushels, 4 percent more than the year before and 44 percent above average.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-11/55-13,050

PERMIT NO. 1247

Consumer buying power, now 7 percent greater than it was one year ago, will continue strong in 1956. As usual, prospects for the last half-year are less clear than those for the first half. Consumer demand for beef will hold up well throughout the year. Demand for pork, which has been declining in the past few years, may level off in the last half of the year.

Total meat output, which has climbed one-fifth in the past four years, is expected to stay about the same in 1956.

BEEF CATTLE. Beef output has jumped one-half in the last four years. Supplies could increase again next year, but they seem more likely to decrease slightly. The slight decrease is expected because the rather heavy slaughter in 1955 has reduced numbers of cows and steers on farms.

The supply of beef dropped to a low of 55 pounds per person in 1951 and then rose to a new record high of 81 pounds this year. In 1956 the supply is likely to slip back to around 78 pounds per person. This level would be greater than that of any year on record except 1954 and 1955.

The supply of veal dropped to 6.6 pounds per person in 1951 and jumped to 9.9 pounds in 1954. It then eased off to about 9.6 pounds per person this year and is expected to be down to 9.0 pounds in 1956.

The seasonal pattern of cattle prices will be much different in 1956 from that of this year, but average prices for the year may be about the same.

We expect large marketings of fat cattle to continue into the first few weeks of the new year. The late winter should bring some easing of market receipts and some contraseasonal advance in top prices. On the other hand, it is very unlikely that prices will approach the unusually high levels of early 1955. By early summer top prices may begin to climb, and the average may be considerably higher in the last half of 1956 than in the last half of this year.

HOGS. Hog production reached a peacetime high in 1951, was cut back one-fourth in 1952 and '53, and has increased one-fourth in 1954 and '55. It is expected to level off in 1956, beginning with the spring pig crop. Low prices for hogs during recent weeks have discouraged many producers from planning any further increase in production.

(Continued)

The supply of pork rose to 71 pounds per person in 1952 and then dropped for two years to only 60 pounds in 1954. The figure is about 66 pounds this year and will probably be about 67 pounds in 1956. Sixty-seven pounds would be just about equal to the 10-year average. While present and prospective supplies of pork are no greater than average, we should remember that in 1953 and 1954 beef and poultry moved into the market vacated by previous large pork supplies.

The two-year decline in hog prices may end in 1956. We expect prices to be more stable in the year ahead than they have been in 1955, and next fall they may be above recent low levels.

A large part of the 1955 spring pig crop was moved in October and November. Weekly receipts are near their peak for this season. Fewer hogs are being held back this year than last. Hogs are also being marketed at lighter weights. Some easing of supplies is likely in December, and prices should show some recovery by January. The winter average may be around \$14.00, or \$2.00 above recent lows and \$2.00 below last winter's average. Prices will continue under year-before levels until about midsummer, or until the 1955 fall pig crop is sold. This fall pig crop is about 10 percent larger than that of a year ago, and a record for peacetime years.

If there is no substantial increase in the 1956 spring pig crop, hog prices could average moderately higher in the last half of 1956 than in the last half of 1955.

L. H. Simerl

Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-11/55-13,025

PERMIT NO. 1247

Forecasting soybean prices has been both easy and difficult: Easy, because in most of the past 25 years prices have advanced substantially after harvest. Difficult, because soybeans are a new crop and production has increased rapidly, because domestic demand for soybean products is quite variable, and because foreign buyers sometimes come into the market for a large share of the crop.

A year ago the average farm price for soybeans in Illinois was around \$2.64 a bushel. The price held around this level from October through January, climbed up a little in February, and then worked down to an average of \$2.03 by mid-September. About that time drouth damage to the crop set off a sharp price advance, but most of this advance was soon lost.

There is no surplus of soybeans. The carryover of old beans on October 1 was only ten million bushels, or 3 percent of the previous crop.

The 1955 crop is estimated at 372 million bushels. This crop is 10 percent larger than the previous record crop of 1954 and 56 percent greater than average. Remember, though, that record-breaking soybean crops are the rule rather than the exception.

A price support loan at a national average of \$2.04 a bushel is available for 1955 crop soybeans. Prices have been at or above the loan level since harvest time, so few beans are being placed under the loan.

Prices of soybean products are sharply lower than they were a year ago. Soybean oil recently was quoted at 10 3/4 to 11 cents a pound compared with 11 1/2 to 11 3/4 cents the year before. Since a bushel of soybeans yields about 11 pounds of oil, the oil in a bushel of beans recently was worth around \$1.18 compared with \$1.26 a year earlier.

Recent quotations on soybean meal were around \$47 to \$48 a ton, down from \$70 last year. A bushel of soybeans yields about 48 pounds of meal, worth \$1.15 compared with \$1.68 a year ago. These prices and values are wholesale, bulk, Decatur.

(Continued)

At these recent prices the value of the products obtainable from a bushel of soybeans is \$1.18 worth of oil plus \$1.15 worth of meal, or a total of \$2.33. This product value may be compared with some recent prices of around \$2.10 paid to farmers for soybeans. The difference, only 20 to 25 cents, compares with about 30 cents a year ago and is only half that prevailing in some years. Expenses that must be paid from this small difference include local handling, transportation and processing costs.

Domestic demand for soybean oil may increase. But the production of the principal competing products, cottonseed oil and lard, will be about ten percent greater than last year. One strong point: the government does not have big stocks of cottonseed oil as it had a year ago.

Demand for soybean meal may increase. Good prices for eggs mean good demand for meal from owners of laying flocks. On the other hand, there may be some cut-back in the demand for soybean meal from producers of broilers and hogs.

Foreign buyers took 60 million bushels, or 17 percent, of the 1954 soybean crop. With lower prices now, foreign buyers are expected to take around 75 million bushels of 1955 crop beans.

Exporters also took 36 million pounds of soybean oil in the year ending with June, and they have taken much larger amounts so far this year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-11/55-13,200

PERMIT NO. 1247

Farm income has dropped 25 percent in the past four years. During the same time national income has gone up 14 percent. These opposite trends are of great concern to farmers.

A decline in farm income while national income is rising may be a new experience to many young farmers. History, however, tells us that it has happened before. A review of these earlier experiences may help some farmers to make their plans for the future.

The most recent similar experience occurred from 1947 to 1950. Farm income dropped 25 percent in those three years while national income climbed 19 percent. The downtrend in farm income was reversed in mid-1950 by the inflation that accompanied the Korean War.

World War I produced another striking example of opposite trends in incomes. From 1919 to 1920, farm income dropped 10 percent while national income went up 12 percent. In 1921 farm income tumbled 49 percent more, while national income went down 22 percent. Farm income did not recover to the 1919 peak until 1942. By that time national income was 83 percent greater than it had been in 1919.

The big years for farm income during the World War I period were 1917-1920, when farm income amounted to 15 percent of the national income. During the next nine years, 1921-29, farmers received only a little over 8 percent of the national income. This was a period of rather stable high-level employment.

The next 11 years, 1930-40, were years of severe depression and great unemployment. Farm income averaged one-fourth lower than in the 1920's, but national income was down almost as much, so the proportion received by farmers stayed about the same.

From 1940 to 1948 farm income went up 271 percent while national income went up 169 percent. The best years were 1943-48, when farmers received an average of nearly 9 percent of national income.

(Continued)

When the big World War II inflation was over, the farmer's share of the national income dropped from 9.4 percent in 1948 to 7.1 percent in 1949. Inflation growing out of the Korean War in 1950-51 gave farm income another temporary boost. Actual dollar income went up 23 percent, but national income went up almost as fast, so the farmer's share still averaged only 7.1 percent.

When the inflation was checked, the farmer's share of national income started down again. It was 6.5 percent in 1952, 5.3 percent in 1953, and 5.1 percent in 1954. For 1955 it may be only about 4.5 percent, or half as much as in the best war years.

Here is a surprising fact: The farmer's share of the national income dropped 52 percent from 1917 to 1921, and by about the same amount from 1948 to 1955.

All of these facts seem to point to two conclusions: (1) Special farm legislation has not prevented the farmer's share of national income from declining as much as after World War I, and (2) farm prices and income have now reached such a low level in relation to national income that they might make some recovery during the next year or so.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-12/55-13,200

PERMIT NO. 1247

Almost everyone in the United States has a vital interest in the dairy industry. Milk and its products are included in most of the 500 million meals served every day, and dairying brings in more cash income than any other farm enterprise.

Farm income from dairying has gone up a little in 1955, while total farm income has gone down. Even so, average dairymen have made only 40 to 60 cents an hour. There may be other problems ahead. A review of some long- and short-time trends in the dairy industry may give some idea of the nature of these future problems.

From 1920 to 1930 milk production increased twice as fast as the population, but dairying was one of the best-paying farm enterprises. From 1930 to 1940 production increased at the same rate as population, and the dairy business continued to be profitable. Since 1940 milk production has increased only half as much as population, but for the past three years production has run ahead of sales, and the government has picked up the excess to support prices.

The main reason for the dairy problem has been the big drop in butter consumption since 1940. Until about 30 years ago the butterfat from more than half of all milk produced was used for making butter. Butter production continued high until the beginning of World War II, with average annual consumption around 17 pounds a person.

Three years ago the government was supporting milk and butterfat prices at 90 percent of parity, but trouble was piling up: (1) Butter consumption dropped to only 8.6 pounds per person. (2) Dairymen had added 600,000 milk cows to their herds in 12 months, boosting sales of milk and cream by 6 percent. (3) In order to support prices the government bought dairy products equivalent to 11 percent of all the milk and cream sold by farmers.

(Continued)

To try to find an answer, the U. S. Department of Agriculture looked at the mounting stocks and at the price-support law. The law directed the Secretary to support prices of dairy products at 75 to 90 percent of parity in order to assure an adequate supply of milk. With production running 10 percent over use, there was no longer any legal basis for maintaining prices at 90 percent of parity, so the support level was reduced to 75 percent of parity on April 1, 1954.

What happened after price supports were reduced? (1) Farmers stopped adding cows to their herds, and milk production leveled off. (2) The government reduced purchases of dairy products for price support 50 percent during the first year, and even more this second year. (3) By mid-1955 surplus stocks of dairy products, equivalent to 13 billion pounds of milk on July 1, 1954, had been more than cut in half. (4) The decline in butter consumption was stopped. In fact, consumption of butter per person was 7 percent higher in 1955 than in 1953.

So--what's the trouble? It may be that farmers are boosting milk production too fast again. Prices for hogs and beef cattle are below year-ago levels, making dairying relatively more attractive. Milk production was 3 percent greater in October and November this year than a year ago, and government purchases have increased. This may mark the beginning of another build-up of surplus stocks.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-12/55-13,200

PERMIT NO. 1247

Four Examples

We hear a lot about promoting the sale and use of farm products. Such promotions are important and helpful. But if we had paid more attention to keeping the markets we once had, we would not now be so hard pressed to get them back or to find new ones. And if we make an effort to keep the markets we have now, we will not have to work so hard to find new ones in the future. To avoid repeating old mistakes, it may be worth while to review some of these lost markets for farm products and see how we lost them.

BUTTER. For many years before World War II, butter consumption in the United States averaged around 17 pounds per person per year. Now it is only 9 pounds. If consumption could be restored to 17 pounds, it would make an additional market for 26 billion pounds of milk, or 17 percent more than is now being produced. How was the butter market lost? It was lost during World War II when reduced supplies forced consumers to try substitute products. Many consumers soon became accustomed to the other products and have not been willing to change back to butter.

PORK. Before 1930, consumers spent about 3 percent of their incomes for pork. Now they spend only 2 percent, a reduction of one-third. If consumers would spend the same share of their incomes for pork as they did 25 years ago, we could sell one-fifth more hogs at one-fourth higher prices. How was the pork market lost? Here are two important factors: (1) production control and price support for corn has made for reduced and irregular supplies of pork; (2) the swing in consumers' preferences to leaner cuts has not been matched by a corresponding improvement in pork quality.

LAMB. Until about 10 years ago, annual consumption of lamb and mutton averaged around 7 pounds per person. Now it is only 4 1/2 pounds. If consumption were restored to pre-1947 levels, we would have a market for nearly one-half more lamb and mutton than we are now selling. The lamb market was lost after flocks were greatly reduced during the war years. Now supplies are so small that many markets seldom handle lamb. As fewer markets offer lamb, fewer consumers are moved to buy it.

(Continued)

COTTON. Twenty-five years ago we had foreign markets for seven to nine million bales of cotton each year. The United States had 60 percent of the world export market. Now world trade is as large as ever, but our exports average only about 3 1/2 million bales and the United States share of the world export market is only 20 percent. Price supports for United States cotton encouraged producers in other countries to boost their output and exports. Last year Mexico exported more than one million bales, ten times more than in 1930. Brazil showed a similar increase in the 1930s and now exports about one million bales a year. Syria and Turkey now average over half a million bales, 10 times as much as 25 years ago. Russia exported about 1.4 million bales last year, also about 10 times as much as 25 years ago. If the United States had retained its share of the world market for cotton, we would have markets for the cotton grown on nine million more acres--and the acreage planted to feed grains would be reduced accordingly.

Each of these examples of lost markets for farm products differs from the others in some respects. But they are all alike in one important way: the markets were lost when producers failed to offer an adequate supply of high-quality products at competitive prices.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

III. EE278-12/55-13,200

PERMIT NO. 1247

The USDA has trimmed about 5 percent off its estimates of hog production for 1954 and 1955. The downward adjustment is probably based upon newly available figures from the 1955 Census of Agriculture. The new figures are published for the first time in the Fall Pig Crop Report released in Washington on December 22. Here is a summary of the most important facts and market prospects shown by the report:

1. MARKET HOGS. On December 1 farmers had only 5 percent more hogs over six months old than they had the year before. These hogs are the ones remaining from the 1955 spring pig crop. The small increase in numbers left on farms reflects the rapid marketing of hogs this fall, since the 1955 spring pig crop was considerably more than 5 percent larger than that of the previous year. Marketing continued at a fast pace during December.

This small increase in hog numbers available for market during the first half of the winter may be partially offset by sales at lighter weights. Thus the tonnage of pork may not be much larger than it was last winter. This could pave the way for a substantial price recovery.

2. FALL PIGS. Pigs saved during the fall farrowing season (June-November) numbered 37.9 million head, 12 percent more than that of a year before. Most of the fall pigs will be marketed from February to July. Actual numbers marketed may increase a little more than 12 percent, since relatively fewer gilts may be held back for breeding purposes. Here again some increase in numbers could be offset by marketings at lighter weights.

3. 1955 SPRING PIG CROP. Farmers reported that they intended to have 2 percent fewer spring pigs in 1956 than 1955. This points to a probable spring pig crop of 56 million head. For statistical purposes all pigs born from December 1 to May 31 are counted as spring pigs.

The final outturn of the 1956 spring pig crop will probably not be exactly 2 percent less than that of 1955. There may be no decrease at all. But even just a leveling-off of production would be a sharp contrast with the past two years, when the spring pig crop increased sharply each year.

(Continued)

Here is another important difference between the prospective market situation and that in 1954 and 1955. Beef production, which increased substantially in both years, may level off or even decline slightly in 1956.

Consumer buying of meats has been pushed in recent weeks to the highest levels in many years. Consumer buying power is at an all-time high, 7 percent above a year ago, and no let down is in sight. On the other hand, the big year-to-year increases in meat production that have dominated livestock markets for four years have ended. And the seasonal peaks in supplies of both pork and beef are past. This combination of conditions surely favors a recovery of livestock prices during the year ahead.

Market prices are often severely depressed by an unusually rapid increase in supplies. After consumption is stepped up to the higher level, prices may recover even if supplies remain large. The egg market in 1954 and 1955 was a good example. A too-rapid increase in production in 1954 pushed prices to extremely low levels, but there was a strong price recovery in 1955 even though production was a little greater than in 1954. Prices of hogs, and cattle too, may show some similar recovery in 1956.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

III. EE278-12/55-13,200

PERMIT NO. 1247

19662 w
1956
cop. 3

You probably have already read or heard the principal facts shown by the U. S. Department of Agriculture report on the fall pig crop. They were as follows: (1) The number of spring pigs still on farms December 1 was only 5 percent greater than the year before; (2) farmers saved 37.9 million fall pigs, 12 percent more than the year before (but 2 percent less than the 5-year average); (3) farmers intend to raise 56 million spring pigs, 2 percent less than last year (but 2 percent more than the 5-year average).

Here are some additional important facts shown by the fall pig crop report:

1. Fall farrowings were a little later in 1955 than in 1954. Only 53 percent occurred before September 1 in 1955 compared with 55 percent in 1954. (All pigs born from June 1 through November are reported by the USDA as fall pigs.)

2. August and September continued to be the leading months in farrowings, about 25 percent of the fall pigs being farrowed in each month. Three months--June, July and October--each had around 14 percent of the total fall pigs. November farrowings made up 6 1/2 percent of the total. These percentages are about the same as those of the year before.

(December farrowings, which are included with the spring figures, are always the smallest of any month. They usually make up only about 3 percent of the total spring pig crop.)

3. The total U. S. pig crop for 1955 is estimated at 95.3 million head--10 percent more than in 1954 but 5 percent more than the average for the previous 5 years. In proportion to the human population, the 1955 pig crop is the same as the 5-year average. Smallest pig crop since World War II was in 1953, when only 78 million pigs were saved. Biggest pig crop since the war was the 101 million head in 1951.

4. Iowa continued in 1955 as the leading hog-producing state with 21 million pigs saved. Illinois ranked second with 11 million; Indiana, third with nearly 8 million; and Minnesota, fourth with 7 million. Missouri came fifth with 6 1/2 million. These are the usual rankings for these states.

(Continued)

5. Farmers in almost every state reported increases in farrowings this past fall. By far the largest increases in fall farrowings were in Iowa, Illinois and Missouri. These states reported nearly half of the total for the nation. Most other states also reported more fall farrowings.

6. Farmers in the western part of the Corn Belt, where drouth cut the corn crop in 1955, are planning to cut hog production sharply. The following planned reductions are reported: Nebraska, 20 percent; South Dakota, 18 percent; Minnesota, 10 percent; and Iowa, 6 percent. These are the states that usually produce rather late spring pigs and ship them to market during the late fall and the winter. The USDA report indicated that Illinois farmers would reduce spring farrowings about one percent.

Farmers in about 25 states plan to boost 1956 spring farrowings. Those in Missouri will increase most, but there will also be more in most of the states east and south of Illinois and Missouri. The increases in farrowings are coming in the states that usually have the earliest pigs.

The supply prospect suggests a very early summer peak in prices, an unusually early fall decline, and a fairly strong late fall and winter market.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-1/56-13,200

PERMIT NO. 1247

People buy lots of the things that they like and can get at reasonable prices. Notice, for example, how we have increased our consumption of eggs, chicken, turkey and beef.

Eggs. For 30 years before World War II, the typical American ate about six eggs in seven days (official estimates ranged from 295 to 330 eggs per person per year). Then producers and marketing agencies began to offer better eggs at prices that were more attractive to consumers. Consumption climbed from the 305-310 level in 1937-1942 to 417 in 1955. The 417 used last year was the largest on record, and the year was a profitable one for egg producers.

Broilers. When I was a kid we had our first fried chicken of the year on the Fourth of July--if we had one big enough by that early date. We always took a picnic lunch with crisp, golden chicken to the county fair and to church picnics, and relatives from town always looked forward to a fried chicken treat when they visited in the country in the summer or early fall. Most city consumers had little opportunity to buy fresh chicken. Sales were few as busy mothers contemplated the high prices and the messy job of dressing and cutting up the bird. From 1909 to 1940, consumption of chicken (including hens) averaged 12 to 15 pounds per person per year. Then lower production costs, lower prices and more attractively prepared birds brought big increases in sales. Sales of chicken now average 23 pounds per person per year.

Turkeys. Forty years ago turkey was a once-a-year treat. Consumption averaged only about one pound per person per year--counting leftovers from the holiday feast. Then farmers learned how to reduce production costs so that they could sell at lower prices and still make a profit. Thick-meated types of turkeys were developed. Smaller birds were grown for smaller families. Processors and retailers offered beautifully dressed oven-ready turkeys in attractive packages. With these changes, per capita consumption has averaged 4 1/2 pounds or more in each of the past four years, or four times that of 40 years ago. Not every year has been profitable for producers, but many families now make a good living raising turkeys.

(Continued)

Beef. For many years beef was the second-choice meat with the American people. Housewives bought beef and then hoped that it would not be too tough for the company. Consumption dropped from 73 pounds per person in 1909 to under 50 pounds from 1928 to 1932. Then better breeding and better feeding produced an abundance of tender steaks and roasts. The tougher cuts were converted into savory hamburger. Beef consumption climbed to nearly 80 pounds per person in 1954, and even higher in 1955. And the share of consumer income spent for beef is about one-fourth greater now than it was in 1940.

Sales of each of these four products were increased through a combination of four procedures: (1) Production costs were reduced, making possible more attractive prices to purchasers. (2) Quality was improved to meet consumers' tastes. (3) Producers provided a consistent supply of the product. (4) In most cases food retailers carried on aggressive sales campaigns. These examples point the way to increasing the markets for farm products.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

III. EE278-1/56-13,200

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

The corn market is unusual this year--prices are higher in the western corn belt than in Illinois. This is because of the drouth last summer in Iowa, Nebraska, and South Dakota.

In mid-January corn prices were about 5 cents higher in Omaha, Nebraska, than in Chicago. A year ago prices were about 10 cents lower in Omaha than in Chicago. Similarly, recent corn prices were 10 to 12 cents higher in Kansas City than in Chicago, while a year ago they were a little lower.

Recent prices for corn in Illinois were around \$1.15 to \$1.20 a bushel, compared with \$1.40 to \$1.45 a year ago. The lower prices are mainly the result of (1) a larger supply of corn and (2) reduced demand because of lower prices for hogs.

The prospect for future price trends is normal--meaning uncertain.

Stocks of corn on farms January 1 totaled 2,191 million bushels, up 7 percent from a year ago. At the same time Uncle Sam had 745 million bushels, 25 percent more than last year.

Large farm supplies of other feed grains also are bearing down on corn prices. On January 1, farmers had 981 million bushels of oats, 7 percent more than the year before and the most in 30 years. Barley stocks were estimated at 190 million bushels, up 27 percent from last year and the largest in 13 years. Supplies of sorghum grains were reported at 68 million bushels, 24 percent more than the year before and the largest in five years.

Total farm stocks of the four feed grains were figured at 83.5 million tons, 6 percent more than last year. The stockpile of feed grains on farms January 1 was the second largest on record, being topped only by stocks at the beginning of 1950. When off-farm stocks are included, the total feed grain supply exceeds even the previous record supply of five years ago.

Two big questions in the corn market are: How much 1955 corn will farmers put under price support? How much government-owned corn from previous crops will be sold?

(Continued)

Farmers put only 259 million bushels of 1954 corn, or about 9 percent of the crop, under price support. Estimates for 1955 corn to be put under loan range from 350 to 500 million bushels. If it is near the larger amount, market supplies might be very scarce by August 1.

In the year ending last October 1, the government sold about 150 million bushels of corn, or nearly 3 million bushels a week. Now government policy seems to be to restrict sales as much as possible. But government stocks apparently include over 100 million bushels that will be at least three years old by next fall. Some of this corn, and probably some that is not so old, may have to be sold before the end of this marketing year. If only small amounts are sold, it will help to tighten up the market supply.

Export demand for feed grains is strong. About 53 million bushels of corn were shipped from July 1 through November, or more than double the amount in the same months a year before. Total exports may be around 110 million bushels this year compared with 77 million last year. In recent years most of the corn that has been exported has come from government stocks rather than directly from farmers' cribs.

Available figures suggest that the carry-over of corn next October 1 will be at least 10 percent greater than the 1,024 million bushels on hand last October 1. Carryover stocks of other feed grains, too, seem likely to be larger next summer than they were in 1955.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis R. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-1/56-13,200
PERMIT NO. 1247

Market supplies of beef seem likely to continue at near record levels through the winter, but marketings of fat cattle may ease up later in the year. Corn belt farmers on January 1 were feeding the same number of cattle as they were one year before--but the cattle were heavier and farmers planned to market them earlier. If farmers carry out these intentions, we will see fairly heavy runs of cattle for a few more weeks, but after that supplies may drop below the level of a year before.

These facts and forecasts are based on the USDA report of cattle on feed in the United States on January 1. Other important facts from that report follow.

1. CATTLE FEEDING UP ONE-THIRD SINCE 1950. U. S. farmers have increased their cattle-feeding operations by one-third since 1950, but most of this increase occurred before 1954. At the beginning of 1950, farmers were feeding 4,390,000 head of cattle. This year they were feeding 5,823,000. This number exceeds by 1 percent the previous record number of a year ago.

2. WESTERN STATES FEEDING MORE. Corn belt farmers on January 1 were feeding about 4,178,000 head, the same as last year. The western states were feeding 1,563,000 head, 3 percent more than the record number on feed there a year ago.

3. NEBRASKA AND KANSAS CUT BACK. In the corn belt decreases in cattle feeding in the states hard hit by drouth in 1955 are offset by sharp increases in other states. The only two states showing large decreases in cattle feeding are: Nebraska, 28 percent; and Kansas, 20 percent. States showing important increases in cattle feeding over last year are: Illinois, 5 percent; Indiana, 18 percent; Missouri, 20 percent; and North Dakota, 45 percent.

4. MORE STEERS AND HEIFERS ON FEED. As compared with a year ago, U. S. farmers are feeding 6 percent more steers and 12 percent more heifers, but 20 percent fewer calves. These changes point to an earlier movement to market than in 1955. Of the total number of cattle on feed, 57 percent were steers, 21 percent were heifers, 21 percent calves, and 1 percent were cows.

(Continued)

5. MORE HEAVY CATTLE. Of the total cattle on feed in 14 leading states only 29 percent weighed under 600 pounds compared with 33 percent a year ago. Forty-four percent weighed 600-900 pounds compared with 45 percent last year. Twenty-one percent weighed 900-1,100 pounds compared with 19 percent in 1955. And 6 percent weighed over 1,100 pounds compared with 3 percent last year.

6. FARMERS EXPECT TO MARKET CATTLE EARLIER. Farmers on January 1 expected to market 51 percent of their cattle before April 1 compared with only 44 percent last year. They planned to sell 19 percent in January compared with 16 percent last year. They expected to sell 17 percent in February this year compared with 15 percent in 1955. And they figured to ship 15 percent in March compared with 13 percent last year.

This report of cattle on feed, and other available facts, indicates that the crest of beef supplies for this cattle cycle may be past. It seems likely, therefore, that the price trend for fat cattle may be upward this year instead of downward as it was in 1955.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-1/56-13,225
PERMIT NO. 1247

Corn Is the Cheapest Basic Crop

Everybody seems to know about the decline in farm prices and incomes. Few, however, seem to realize that some farmers have suffered much greater losses of income than others, and few people in the corn-hog country can realize that some farmers in other areas are doing quite well.

The hog producer has been pushed to the bottom of the parity ladder. In December, when marketings of hogs were at their peak, hog prices averaged only 50 percent of parity. This was far below the average for all farm prices, which was 80 percent of parity. Low prices for hogs take a big slash out of Illinois farm income because the sale of hogs brings farmers more cash than the sale of any other farm product.

Cattle and corn are about tied for second as biggest money producers for Illinois farmers. Prices of cattle in December averaged 64 percent of parity. The corn grower is also on one of the lower rungs of the parity ladder. His prices in December averaged only 63 percent of parity, compared with the 80 percent average for all farm prices.

Corn is one of six crops that Congress had declared to be "basic crops." The other "basic crops" are wheat, cotton, tobacco, rice, and peanuts. Where the average price of corn was 63 percent of parity in December, the prices for the other "basic crops" ranged from 78 to 116 percent of parity. Prices of wheat averaged 78 percent of parity, rice 86 percent, peanuts 88 percent, and cotton 89 percent. Tobacco prices averaged from 79 to 116 percent of parity, depending on the type of tobacco.

Cotton planters had a big crop to sell. The 1955 production is estimated at 14.7 million bales, or 7 percent more than last year, and 13 percent more than the 10-year average. Besides this, the cotton planters had the income from soybeans and feed crops produced on the 8 million acres that they took out of cotton in order to qualify for price support. Thus it appears that the incomes of the cotton planters are holding up much better than the incomes of corn and hog producers.

(Continued)

Wheat growers also had a better year than corn-hog farmers in 1955. Prices of wheat averaged 78 percent of parity in December, but practically all of the larger wheat growers were eligible to get government price support at 83 percent of parity. They did not have a large crop of wheat because they diverted 21 million acres to other crops, but the average yield per acre was a record high. Besides getting top yields and good prices for their wheat, the wheat growers had the income from feed crops and soybeans produced on most of the 21 million acres they took out of wheat in order to qualify for the government price support.

Both cotton and wheat are important export crops. Price supports for these crops during the past 25 years caused foreign buyers to develop other sources of supplies. Then, as our exports dwindled, acreage restrictions were put into effect. Most of the lands taken out of cotton and wheat were planted to feed crops and soybeans. These trends have been greatly intensified during the past two years. The result is extremely depressed prices for corn and hogs, the principal sources of income for most Illinois farmers. This is an excellent example of how a government program to help some groups often works to the disadvantage of others.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis R. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-2/56-13,225

PERMIT NO. 1247

Will the soil bank plan work? There are dozens of soil bank plans. Any one of them will "work"--with a billion dollars behind it. More useful questions are: What soil bank plan? And how will it work?

The soil bank plan proposed by the Administration consists of two parts: (1) an acreage reserve and (2) a conservation reserve. A farmer might participate in either or both parts of the plan.

I. The acreage reserve is a companion program to the acreage allotments that are in effect for corn, wheat, and other "basic" crops. A corn grower who wanted to participate in the acreage reserve program would plant less than his allotment of corn. Suppose, for example, that the farmer's corn allotment is 80 acres. He might plant only 65 acres to corn and place 15 acres in the reserve. He would not harvest any crop from these 15 acres nor graze any livestock on them.

What benefits would the farmer receive for placing land in the acreage reserve?

1. He would receive a cash payment larger than the average profit that would be made from growing corn. (One proposal is that the payment be set at $1/2$ the loan rate times the average yield. Thus if the corn loan rate is \$1.40 a bushel and the average yield is 60 bushels the payment would be 70 cents \times 60, or \$42.00 an acre.) This payment would be made regardless of crop failures on the farm. Therefore, it would provide some income insurance.

2. Another benefit to the corn growers would be higher prices for corn. Taking substantial acreages completely out of production would reduce the production of corn and other feeds, and tend to lift prices of feeds and eventually of meat animals, milk, poultry and eggs.

II. The conservation reserve program is intended to take land out of crop production and get it planted to trees, or used for permanent range or water conservation. Under this program a farmer would enter into a contract for, say, 5 to 10 years. He would agree to plant some of his cropland to trees, to develop a permanent pasture or range, or to establish a water-conservation area. Any grazing would be limited so as not to injure the cover being established on the land.

(Continued)

Benefits to the farmer would include (1) a cash payment to cover most (perhaps 80 percent) of the cost of planting, seeding, etc., (2) a yearly rental payment for, say, 5 to 10 years until the new use for the land would begin to produce some income, and (3) higher prices for feed crops and animal products that would come from restricting the production of feed.

Costs of this soil bank plan are estimated at around one billion dollars a year. The administration has proposed that the cost of the program be met by selling surplus crops now owned by the government, or by giving these crops in the place of cash to cooperating farmers. Opponents of the plan argue that disposal of government stocks in this way would depress market prices.

The essential facts seems to be as follows: (1) The sale of government-owned stocks would be less than the crops that otherwise would be raised on the land taken out of production. Consequently the plan as a whole would tend to lift prices rather than to depress them. (2) Prices would tend to rise faster and quicker if the government supplied the money outright without selling any surplus crops. However, the surplus would remain undiminished to depress prices in later years.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-2/56-13,225

PERMIT NO. 1247

Farm surpluses are very much in the news. They are of concern to farmers because they depress prices. They are of concern to city people because they pay most of the expenses of acquiring and keeping the surpluses. They are of concern to the government because the farm price-support programs developed over the past 30 years tend to pile up stocks faster than they can be disposed of.

The government now has surplus stocks that cost about 8.7 billion dollars. This total includes stocks actually owned by the government, plus products pledged by farmers for new price-support loans.

How much is 8.7 billion dollars' worth of farm products? It is five times the total value of the farm products produced and sold off Illinois farms in 1955. It is equal to about one-third of the value of all farm products sold from U. S. farms last year.

The 8.7 billion dollars' worth of farm products is equal to about \$140 for each of the 63 million persons at work in January.

Most of these surplus stocks consist of three crops--cotton, wheat and corn--but the government also has large amounts of several other farm products. Amounts in government hands change every working day, so it is not possible to give a complete up-to-the minute listing of what is on hand. Here, however, is a general picture of the surplus stocks on hand:

COTTON. Government stocks of cotton apparently total about 14 million bales, and they cost Uncle Sam about 2 1/2 billion dollars. This quantity is more than one year's average production. The total U. S. supply of cotton for this crop year was 26 million bales. This counts privately owned cotton as well as government stocks. U. S. consumption of cotton in recent years has averaged about nine million bales annually, and exports were about three million bales.

WHEAT. The government owns or has price-support loans on about one billion bushels of wheat. This amount cost Uncle Sam about 2 1/2 billion dollars. One billion bushels of wheat is more than was produced in either 1954 or 1955. The total U. S. supply of wheat for this marketing year was 1,940 million bushels, or about three times as much as we use for food in one year. We can find export markets for no more than 300 million bushels.

(Continued)

CORN. The government soon will have nearly one billion bushels of corn. This amount is about one-third of an average crop produced in the United States, or about as much as the average annual production in the two leading states--Iowa and Illinois. Total stocks of corn on hand for this crop year were 4.2 billion bushels, or about one-third more than is likely to be used. About 90 percent of our corn is fed to livestock, mostly on the farms where it is produced. The export market takes only somewhere around 100 million bushels annually, or about one-tenth of the surplus in government hands.

WHAT CAN WE DO WITH THESE SURPLUSES? (1) We might keep them, or even add to them. Some people strongly favor this, especially those who profit from storing and handling the surpluses. Storage costs are about one million dollars a day. (2) We could give some of them away to the hungry in other countries, but this is not so simple as it sounds. Even hungry people do not eat cotton. And many friendly countries, such as Canada and Australia, oppose even price cutting on wheat. The fact is that we have been giving away, in one way or another, about half of the wheat shipped out in recent years. And there is no possibility of giving away a billion bushels of corn meal. (3) This leaves us just one other possibility--to use the stuff ourselves.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis R. Howard

Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-2/56-13,225
PERMIT NO. 1247

Cattle numbers crept up 1 percent during the past year. The increase, though small, came as a surprise, since farm statisticians had thought that the large slaughter in 1955 had checked the climb in numbers that began back in 1950. With cattle numbers at another new high, we can expect beef production in 1956 to equal or exceed the record output of 1955.

The USDA reports cattle on farms January 1 at 97,465,000 head. This number is almost a million more than the revised estimate of 96,592,000 head on farms a year earlier. (New information, just available from the 1955 Census of Agriculture, caused the department to raise its estimate for a year ago by over a million head.)

Cattle numbers in the United States tend to run in waves or cycles. Farmers build up their herds for 5 to 10 years and then sell off. Beef production is low during the build-up years; then it increases sharply when farmers increase their sales of cattle.

The present build-up of cattle numbers began in 1949. At the beginning of that year, farmers and ranchers had only 76,830,000 cattle and calves. During the seven years since then, farmers have increased their herds by 21 million head, or 27 percent.

Output of beef and veal shrank to 9.9 billion pounds in 1951. In the four years to 1955, it increased to 15.3 billion pounds, or 54 percent.

While our beef supply jumped 54 percent in four years, the population crept up only 7 percent. The supply of beef and veal was only 62 pounds per person in 1951, but it was up to 91 pounds in 1955.

The small supply of beef in 1951 came at the time of the inflation that was associated with the Korean War. Beef cattle sold for \$30 to \$40 a hundred pounds and even higher.

(Continued)

The big jump in beef output came in 1953. Cattle prices hit the skids as marketings climbed 20, 25 and 30 percent over year-before levels. The year 1954 was a good one for cattle feeders, and the favorable prices continued into early 1955. Then further increases in beef supplies, plus more competition from pork, eggs and poultry, set cattle prices on a downward trend.

The general cattle situation is much the same as it was a year ago. Numbers of cattle on farms and in feedlots are just about the same, in proportion to population, as they were a year ago.

So far this year farmers have marketed cattle faster than they did in the same weeks of last year. During the first six weeks of 1956, output of beef was 10 percent larger than it had been one year before. The more rapid rate of marketing this year is in line with the report of cattle on feed January 1. That report showed that farmers had 2 percent more cattle in feedlots than one year before, the cattle were heavier and farmers intended to market them earlier than last year. Large market supplies, plus restricted demand during Lent, seem likely to postpone price advances until after Easter.

L. H. Simerl

Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid:
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

III. EE278-2/55-13,435

PERMIT NO. 1247

A new combination of record outputs is depressing prices of hogs and beef cattle: (1) For the first time in history outputs of both beef and pork have rolled up to cyclical peaks in the same year. (2) Supplies of poultry, eggs, and milk have climbed to new record or near-record highs at the same time.

Two important price adjustments have been made to move the record supplies: (1) retail prices have been reduced to induce consumers to buy more meat than ever before; and (2) marketing margins have widened out, serving to induce processors and retailers to handle the greater supplies. Both of these adjustments bear down on prices of livestock.

People eat what they eat largely because of habit. As the American people become accustomed to eating more meat, they may be willing to pay more for it. Likewise, there may be some reduction in marketing margins. Either or both of these changes would lift livestock prices.

BEEF OUTPUT UP 61 PERCENT. Beef production tends to run in waves or cycles, the peak outputs coming at intervals of 8 to 13 years. Peak years were 1905, 1918, 1926, 1934, and 1945. Beef and veal supplies equaled 83 pounds per person in 1905, but only 80 pounds in 1918 and 68 pounds in 1926. The peak year 1945 brought supplies back up to 84 pounds, while the latest upsurge lifted the amount to an all-time high of 91 pounds per person in 1955. A slightly larger supply is expected in 1956. The latest upsurge has been greater than any previously recorded. Total production of beef and veal increased 61 percent from 1951 to 1955!

26 PERCENT MORE HOGS. Pork output runs in shorter cycles of three to five years from peak to peak. Recent peak years were 1940, 1943, 1946, and 1951. We are now at the crest of the latest wave of hog production, which has increased 26 percent in two years. And for the first time on record (figures are available back to 1899) the peak of pork production comes at the same time as the peak beef output.

(Continued)

Production of eggs has been on a steep uptrend since 1942. In 1955 the supply was equal to 418 eggs per person, or 25 to 50 percent more than in any of the years from 1909 through 1942.

A NEW MEAT INDUSTRY. The most spectacular increase of all is that provided by commercial broiler producers. Growing from almost nothing before World War II, this industry now produces 2 1/2 billion pounds of broilers a year. And the turkey supply is about three times greater than pre-war. The total supply of poultry meat is at an all-time high--about 27 pounds per person compared with only about 15 pounds before the war.

Even the production of lamb and mutton has increased each year since 1951.

The supply of dairy products, too, shows an unusual increase. The output of cheese is about eight pounds per person per year, 42 percent more than prewar 1935-39. Production and sales of ice cream equals 18 pounds per person, 83 percent more than prewar.

Certainly the American people are becoming accustomed to buying and eating far more fine meats, dairy products, and eggs than they or any other people have ever had. The rate of increase in production of these products may well be less in the next few years than in the years just past. Some leveling-off in production plus continued strong consumer buying power during the next few years would surely bring substantial recoveries in prices of meat animals.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis R. Howard

Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

III. EE278-2/55-13,435

PERMIT NO. 1247

Price Recovery May Begin in April

What's new in hog production?

You can find out at
SWINE GROWERS' DAY
Thursday, March 29

Program Features

1. Visit U. of I. swine farm
2. Early weaning
3. Rations and feeding
4. Disease control
5. Pork chop barbecue
6. Marketing better pork
7. Breeding methods
8. Visiting Russia

What is ahead for the hog market? Large supplies until early April--then shrinking marketings that should start prices on an uptrend that will top out in June or July.

Recent prices for hogs were about one-fourth lower than a year ago--and one-half lower than two years ago. The lower prices were brought on by (1) a big increase in hog production, (2) increasing outputs of other high-protein foods, (3) declining consumer preference for pork, and (4) an increase in marketing margins.

The fall pig crop, which is now moving to market in large volume, was 26 percent greater than that of two years ago. But this does not show the full increase in market supplies because of the varying number of gilts held off the market for breeding purposes. Actual slaughter of hogs was about 40 percent greater in January and February of this year than two years ago. How can we expect price stability when we throw such variable supplies on the market?

This huge increase in hog production depressed prices in two ways: (1) Retail prices were reduced in order to sell the much larger amounts of pork that farmers have produced. Retail prices of pork, which averaged 58 cents a pound in 1953 and 1954, were down to 43 cents in December. (2) Marketing margins widened out. The average marketing margin, which was 18 1/2 cents per pound of pork in 1953 and 1954, increased to 26 cents in the last quarter of 1955. (These are USDA figures.)

Marketing margins normally increase a little when supplies are large. In recent years, however, rising costs for labor have added to the marketing margin. According to the USDA, labor costs for marketing a ton of food have increased about 3 percent a year since 1951. Very little of this increase can be attributed to more or better marketing services.

(Continued)

Beef, veal, eggs, poultry, and cheese--all high-protein foods--compete with pork for the consumer's grocery money. The production of beef and veal increased 61 percent in four years from 1951 to 1955. Output this year is up another 10 percent over early 1955. Production of eggs, poultry, and cheese has increased much faster than population during the past 15 years. We now have 418 eggs per person each year compared with an average of 296 in 1935-39. We have 27 pounds of poultry compared with 15 before the war. And we have 8 pounds of cheese per person compared with 5 in the prewar years.

Consumer preference for pork slipped to the lowest level on record in 1955. Where consumers in 1947 spent more for pork than for beef, in 1955 they spent 30 percent less for pork than for beef.

From this review of facts it is clearly evident that several powerful forces have combined to depress hog prices. When these fundamental forces are changed, prices of hogs will recover.

The first change will be a decline in market receipts that will begin in the last half of March or early April. Receipts will work lower until about July 1. Prices seem likely to climb to somewhere around \$17 or \$18 at their summer peak. The timing of the expected price advance is very uncertain, so we do not advise holding hogs past 230 pounds.

If there is no further increase in hog production, prices next fall should be \$1 to \$2 higher than in 1955. If there is even a moderate cut in the spring pig crop, the price increase could be much more.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-3/56-13,550
PERMIT NO. 1247

Farm income dropped sharply in the Corn Belt in 1955 but climbed in the South and in a few other states.

According to USDA estimates, cash receipts from farm marketings last year dropped 10 percent in Illinois, Iowa and Indiana. Operating expenses, which took about 70 percent of gross receipts in 1954, declined very little in 1955. Therefore, average net farm income in these states was probably down about one-fourth from 1954 levels--and much more on many hog-producing and cattle-feeding farms. In Missouri, cash receipts were off 5 percent and net income was probcibly off around 12 percent. Much higher crop yields in 1955 tended to sustain farm income in Missouri.

In six southern states, cash receipts from farm marketings increased by amounts ranging from 7 to 17 percent from 1954 to 1955. The states and their percent of increases were Arkansas, 9; Mississippi, 9; Alabama, 17; Georgia, 7; South Carolina, 10; and Florida, 10. Cash operating expenses took about 70 percent of gross income in these states in 1954 and increased only slightly in 1955. Therefore, we estimate that in this group net cash farm income went up 20 to 30 percent in 1955.

Farm income in the southern states was boosted by record yields of cotton and by a big production of feed crops and soybeans. But income in the Corn Belt was depressed by increasing competition from other areas and by an unusual combination of record outputs of meat animals, poultry, eggs and milk.

Farm income also went up in a few states outside the South in 1955. Cash receipts from farm marketings increased 15 percent in North Dakota, 31 percent in Maine and by lower percentages in other New England states. But in the three leading dairy states, income showed a slight decrease. Cash receipts from farm marketings decreased 1 percent in New York, 3 percent in Wisconsin and 4 percent in Minnesota.

(Continued)

In four of the Great Plains wheat and beef-cattle states, farm income dipped about the same as in the Corn Belt. Cash receipts from farm marketings slipped 8 percent in Nebraska, 10 percent in Oklahoma and 11 percent in Kansas and South Dakota. Drouth was an important cause of lower income in these states. A decline of 1 percent was reported in Texas.

California farmers had 3 percent more cash receipts from farm marketings in 1955 than in 1954. Farm income in the Rocky Mountain states and in the Pacific Northwest declined only slightly.

For the United States as a whole, cash receipts from farm marketings in 1955 totaled \$29.4 billion. The total for the highest year (1951) was \$32.9 billion, and the average of the six years before World War II (1935-40) was \$8.0 billion.

Production expenses in 1955 amounted to \$22.4 billion compared with \$23.2 billion at the peak in 1952 and an average of \$5.8 billion in the six years 1935-40. Thus production costs in 1955 were about four times the prewar average.

As we look ahead, farm operating expenses seem likely to continue high except as individual farmers can make reductions. The Corn Belt, having taken the brunt of the 1955 farm depression, may be in a better position than other areas to gain during the next year or two.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-3/56-13,550

PERMIT NO. 1247

Farmers in nine corn-belt states are cutting hog production more than the 3 percent they indicated they would cut last December 1. Although December-February sow farrowings were down only 1 percent from the year before, March-May farrowings will be down about 9 percent. Total farrowings for the entire spring pig crop season (December-May) will be 7 percent below last year, according to the quarterly survey and report by the USDA and State Departments of Agriculture. The number of pigs saved may not decrease quite as much as sow farrowings.

Expected summer (June-August) farrowings in the nine states are 8 percent lower than last year. The nine states included in the report are Illinois, Iowa, Missouri, Indiana, Ohio, Minnesota, Wisconsin, South Dakota, and Kansas.

The spring peak of marketings (of fall pigs) is past. Prospective market supplies from these nine corn-belt states are as follows:

April-June. Supplies will be shrinking seasonally, but at the same time they will be 15 to 18 percent larger than one year ago. This period will mark the end of a two-year upswing in annual hog production. During these two years United States farmers increased production 26 percent. We expect the summer peak of prices to come in June, or before the hottest part of the summer.

July-September. Weekly marketings will increase after July fourth. Market supplies during these summer months should be about the same as they were in 1955. Prices may be higher because of the prospect of a smaller seasonal increase in marketings during the fall than occurred last year.

October-January. This will be the season for marketing most of the 1956 spring pigs. Present information points to market supplies about 10 percent smaller than during the same season just past. Prices could be 20 to 25 percent higher than they were last fall and winter.

February-March 1957. If farmers carry out their recent intentions, market supplies late next winter are likely to be 5 to 10 percent smaller than they were this past winter.

(Continued)

Other price factors. Two important forces outside the hog industry are currently exerting strong conflicting influences on the hog market: First, pork prices are receiving strong support from the record level of consumer buying power. Second, pork is meeting much competition from beef and poultry. For the past two months, supplies of these competing meats have averaged about 15 per cent greater than one year before.

Consumer buying power is likely to increase moderately during the next six months, while the supply of beef may increase less than usual from spring to fall.

Some cut in marketing margins for pork might help to lift hog prices this year. The average farm-to-retail margin on pork increased from 23 cents a pound in the last quarter of 1954 to 26 cents a pound in the last quarter of 1955. During the same time the average retail price of pork declined from 52 cents a pound to 46 cents, while its farm value dropped from 29 cents a pound to 20 cents. (Note that these farm values are figured on the basis of pork yields, not on prices of live hogs.)

As the trend in pork supplies switches from expansion to contraction, retail prices may advance and marketing margins may shrink. Either or both of those changes would lift hog prices.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-3/56-13,550
PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Business seems to be set for another boom year. Corn-belt farmers will not be big spenders, but most other parts of our economy will put out cash and I.O.U.'s at record or near-record rates. This activity will help to maintain good markets for the unusual abundance of food that is flowing from American farms.

Let's quickly review recent business trends and survey prospects for the remainder of 1956.

Business activity, which slowed into a minor recession in early 1954, speeded up through 1955. Near the end of 1955 most industries were operating at or near full speed. The gross national product (total value of all good and services produced) was running 397 billion dollars a year in the last quarter. This rate was about 10 percent above the previous high in 1953. Employment totaled 64.2 million in December, about 2 1/2 million higher than ever before recorded for the month. Only 2.4 million persons claimed to be unable to find work, and only 1/2 million had been out of work for 15 weeks or more. The labor situation was about as tight as could be achieved without starting a strong wave of inflationary wage and price increases.

As the year ended, the two weakest spots in the business prospect were (1) automobile production and (2) home building.

Auto production was cut back substantially during the winter, and further shrinkage in this industry is unlikely.

The rate of home building dipped sharply late in 1955. Then credit terms were eased, and new housing construction began to increase in February. Further increases are expected as more new loans are approved.

There are three major signs pointing to continuing high-speed business activity: (1) construction contracts being let, (2) business plans for expansion, and (3) consumer buying intentions.

Building contracts awarded in 37 states east of the Rockies in January and February topped 3.7 billion dollars, 21 percent over a year earlier. Heavy engineering contracts were up 69 percent.

(Continued)

Brightest spot in the economic prospect is businessmen's plans for expansion in 1956. They expect to shell out 35 billion dollars for new plants and equipment, or 22 percent more than the record outlay last year. These expenditures for business expansion are extremely important. They will make employment for more than seven million workers. Unemployment and general depression does not occur when businessmen are spending heavily for new plants and equipment.

(By way of comparison, the planned expenditure for new industrial and commercial buildings and equipment is around 10 times the annual outlay for new farm buildings and machinery.)

Consumers (families and individuals) are planning to spend about as much this year as they did in 1955. According to the annual survey by the Federal Reserve Board, 8.2 percent of U.S. families plan to buy new cars this year, the same as in 1955. And 9.6 percent expect to buy houses compared with 9.4 percent a year ago.

The high level of business activity in prospect may not restore inflationary prices for farm products. On the other hand, continuing high levels of employment and consumer income will help to maintain effective markets for the exceptionally large amounts of food now being produced on United States farms.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914

III. EE278-3/56-13,550

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Corn prices have gone up about 25 percent since the harvest-time low. Recent prices to Illinois farmers were in the \$1.20 to \$1.30 range. We used this level of prices last fall in discussions at our county livestock and feed outlook meetings.

Further price advances are possible, but by no means certain. Price-making forces are at work on both sides of the market. Here are some of the factors that are supporting the market:

1. Corn-belt farmers are feeding about 10 percent more hogs than they were feeding a year ago. Over 40 percent of all corn is fed to hogs--more than is used for any other purpose.

2. Use of corn by poultry is holding up to the high level of a year ago. Farmers have a few less laying hens than they had last year, but they are raising more chickens for replacements and broilers. Poultry feeding is the second largest use of corn.

3. Farmers are probably feeding about as much corn to dairy and beef cattle this year as last year.

4. The export demand for corn and other feed grains is very strong. Exports of feed grains for eight months ending on March 1 totaled well over 200 million bushels, about 2 1/2 times as much as the year before. Exports of corn totaled 65 million bushels during six months ending January 1, about twice as much as the year before.

5. Farmers have placed more corn under price support loans this year than last. By February 15, they had placed 300 million bushels of their 1955 corn under price support compared with only 131 million bushels placed under price support by the same date last year.

6. Biggest chance for a substantial further advance in corn prices would be if weather were unfavorable during the planting and growing season.

On the other hand, several factors are working, or may work, to prevent any further increases in the price of corn:

1. The large advance in corn prices since harvest time tends to slow the rate of use of corn.

2. Pastures will soon be providing much more feed, and thus needs for corn will be reduced.

(Continued)

3. New-crop small grains will be available in southern states in 60 to 90 days.
4. The government is selling about as much corn, mostly unsuitable for further storage, as it did last year.
5. New farm legislation may not provide as much real support for the corn market as proponents of such legislation expect.

Stocks of corn on April 1 were probably around 2.3 billion bushels compared with 2.1 billion a year ago. (Official estimates will be out on April 23.) While the total supply of corn may be 200 million bushels more than it was last year, around 300 million more is in CCC stocks and under price support. These figures suggest that the supply of "free" corn may be about 5 percent smaller than it was a year ago. ("Free" corn means corn that is not owned by the CCC or is not under price support loans.)

In 1955 the average Illinois farm price of corn was around \$1.37 a bushel from March to mid-July; then it slid down to \$1.02 by November. If corn yields are normal or higher this year, prices will probably decline again during late summer.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blomward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-3/56-13,550

PERMIT NO. 1247

The price of soybeans has gone up about one-third since harvest time. This increase is much larger than average, and recent prices have been well above those of a year ago. New forces could carry prices still higher, but a high market has a long way to fall.

The 1955 soybean crop was the largest on record. At 371 million bushels it topped the record 1954 crop by 9 percent. At the same time the production of cottonseed, which competes with soybeans, was larger than average.

For a time last summer it appeared that most of the 1955-crop soybeans might sell at around \$2.00 a bushel. Fortunately for soybean producers, three things combined first to support and then to lift prices:

1. There were no large surplus stocks of soybeans. (There were no surplus stocks because price supports had been kept in line with, rather than far above, actual market values.)

2. The 1955 crop, though a new record, was not quite so large as had seemed likely around August 1.

3. Production of edible vegetable oils in other countries fell below needs, and foreign buyers bought record amounts of U. S. soybeans and soybean oil. From July through February, 55 million bushels of soybeans were exported, 40 percent more than the year before. Foreign buyers also took soybean oil from an additional 20 million bushels of beans, compared with less than 3 million one year earlier.

The price of soybean oil, which dropped to 10 to 11 cents a pound at harvest time, was recently up to nearly 15 cents. This 4 to 5 cent a pound increase for oil added 45 to 50 cents a bushel to the value of beans. Oil prices have recently been 2 1/2 to 3 cents a pound higher than they were a year earlier. Some market observers think that oil prices may have made their top for this season.

Soybean values have received no boost from the market for soybean meal. Prices have recently been about 10 percent lower than those of last October and 20 percent lower than a year

(Continued)

ago. Meal prices may yet rise, but advances are less common during the summer than during the late winter and spring.

No shortage of soybeans is expected. The large rise in price seems to have cooled off foreign demand for our soybeans. We still have enough beans on hand to meet expected export demands and to keep our own mills running at record rates until the new crop comes in. Expected rates of use would leave only a very moderate carryover next October 1.

Farmers plan to plant 11 percent more land to soybeans this year than they planted in 1955, according to a survey and report by the USDA. About half of this increase would be in Minnesota and Iowa. The intended acreage for Minnesota, 2.8 million, is 18 percent more than last year. Iowa farmers plan to plant 2.7 million acres, 26 percent more. Intended acreage in Illinois is 4.7 million, or 6 percent more than in 1955.

Total indicated acreage of soybeans for the U. S. is 21.8 million. With normal per acre yields (about 21 bushels) and usual abandonment and use for hay, soybean production this year should be around 430 million bushels. This would be 16 percent more than the record crop of 1955 and more than double the size of any crop raised before 1948.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-4/56-13,550
PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Some Provisions Listed

The 1956 farm program will be very much like that in effect last year. As in 1955, it will be carried out largely under the permanent laws that various Congresses have enacted--notably the Agricultural Acts of 1938, 1948, 1949 and 1954. There are basic laws that (1) define parity prices, (2) establish price support levels, (3) provide acreage allotments and marketing quotas and (4) provide for surplus disposal programs. A summary of the major items in the 1956 farm program follows:

Corn. Price support will average \$1.50 a bushel for corn grown under acreage allotments. A lower level of support, not yet known, will be available for corn not grown under acreage allotments. Carryover of corn next October 1 will be more than 1.1 billion bushels, or about equal to the average annual production in Iowa and Illinois combined.

Soybeans. The price support level for the 1956 crop will average \$2.15 a bushel, compared with \$2.04 for the 1955 crop. There is no surplus of soybeans, and the carryover next October 1 will be only a few million bushels.

Wheat. Price support will average \$2.00 a bushel for wheat grown under acreage allotments. The carryover next October 1 will be about 1.1 billion bushels, equal to one average crop and enough to supply the nation's food needs for more than two years. Uncle Sam is pushing exports of wheat by (1) selling to foreign buyers at 80 to 93 cents a bushel less than domestic prices, (2) selling for foreign currencies, (3) selling on credit and (4) giving wheat to needy, friendly peoples. In spite of these efforts, exports are declining and may not exceed 250 million bushels during this marketing year.

Oats. As announced earlier, the price support remains at 59 cents a bushel. There are no acreage allotments. A carryover of around 360 million bushels, about one-fourth of an average crop, is expected on July 1.

Sorghum grains. Price support will be \$1.80 a hundred pounds. There are no acreage allotments or marketing quotas. A carryover of about 75 million bushels, one-third of a crop, is expected next October 1. Production of sorghum grains, a feed that is a good substitute for corn,

(Continued)

is increasing rapidly in the south and west on land taken out of wheat and cotton. Since last July 1, foreign buyers have taken more than 50 million bushels of sorghum grains, largely in place of corn.

Barley. The price of barley will be supported at 93 cents a bushel. A carryover of around 130 million bushels, one-half a crop, is likely next July 1.

Dairy products. Prices for manufactured dairy products (butter, cheese and dry milk) will be supported at levels to reflect to farmers \$3.25 a hundred pounds for milk and 58.6 cents a pound for butterfat. This support price for milk is 10 cents a hundred pounds higher than last year, while the support for butterfat is 2.4 cents a pound higher. During this past year the government purchased for price support dairy products equivalent to about 3 percent of all milk produced. Milk production so far this year is about 12 percent greater than last year.

Other programs. Several "unseen" farm programs are helping to support farm prices and income. For example, (1) Public Law 480 (1954) provides for the disposal of farm surpluses by sale for foreign currencies (rather than dollars usually required) and by grants to needy friendly peoples. One billion dollars was authorized for this program. (2) Fifty million dollars is being spent this year to increase the use of fluid milk in school lunches. (3) Four hundred million dollars will be used to support prices of perishables.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Blomward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-4/56-13,550

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Farmers are cutting down on cattle feeding. Beef production seems to be leveling off, but output will probably continue at record levels for at least another 12 months. The leveling-off of beef supplies may boost prices of fed cattle during the rest of this year.

Farmers began this year with 4,900,000 head of cattle in their feed lots, one percent less than the year before. During the first three months they marketed 2,570,000 head, 12 percent more than in 1955. During the same three months, they put 1,674,000 head on feed, 3 percent less than last year.

The USDA report of cattle on feed April 1 showed that farmers in 14 leading states were feeding 4,231,000 head of cattle and calves. This number was 8 percent less than one year before. The cattle on feed this year weigh more than those on feed a year ago and will probably be marketed earlier than those in 1955.

Marketing intentions point to some easing in market supplies by June. Farmers said they intended to sell 797,000 head in April, 9 percent more than a year ago. They planned to ship 749,000 in May, 4 percent less than last year. They had 617,000 headed for market in June, 16 percent less than last year. They planned to sell 2,068,000 head after July 1, 12 percent less than in 1955.

Calf feeding reduced most. Numbers of heifers on feed were nearly the same as last year, while numbers of steers and calves were considerably reduced. Numbers of heifers on feed were estimated at 852,000 head, 1 percent less than last year. Numbers of steers were reported at 2,628,000 head, 8 percent less than a year ago. Calves on feed were estimated at 724,000, 12 percent below last year.

Fewer light-weights. Most of the reduction in numbers of cattle on feed is in the medium and light-weight stock. Those weighing under 600 pounds were estimated at 908,000 head, 14 percent less than last year. Those weighing 600 to 900 pounds were estimated at 1,961,000 head, 9 percent less than a year ago. Those weighing over 900 pounds were estimated at 1,327,000 head, or 1 percent more than the year before.

(Continued)

Cattle on feed for less than three months were estimated at 1,600,000 head, 2 percent less than the year before. The number on feed between three and six months was 2,400,000 head, 13 percent less than last year. Cattle on feed over six months were estimated at 229,000 head, up 26 percent from the year before. A large share of these longer-fed cattle were probably marketed in April.

As usual, Iowa was the leading cattle-feeding state, reporting 1,254,000 head on feed, 4 percent less than one year before. Illinois ranked second with 575,000 head, 5 percent less. Nebraska was third with 376,000 head, 36 percent less, and California was fourth with 297,000 head, 7 percent less.

While numbers of cattle on feed on April 1 were 8 percent below the year before, total numbers available for feeding seem to be considerably larger than in 1955. The report of livestock on farms January 1, 1956, showed 9,644,000 steers on farms and ranches, 14 percent more than 12 months earlier. At the same time calves (under 1 year old) not being kept for milk were estimated at 19,106,000 head, 2 percent more than at the beginning of 1955.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-4/56-13,550

PERMIT NO. 1247

It looks as if we will have a new farm program for corn growers after all. The new corn program was created by announcement by the USDA that farmers who plant in excess of their acreage allotments will be able to get price support loans of \$1.25 a bushel. With this price support available, only a few farmers will plant within their allotments in order to get a support of \$1.50. Thus one result of the new arrangement is to virtually eliminate acreage allotments.

Why have corn acreage allotments been de-emphasized? Probably because acreage allotments on corn have never worked effectively and have little prospect of ever doing so. They have really been attempts to boost income from meat animals and livestock products by reducing supplies. This approach failed for these reasons: (1) Corn makes up only one-fourth of the total supply of feed used in this country. (2) About two-thirds of the corn growers planted more than their allotments, since there was no penalty for overplanting except loss of price support privileges. (3) The one-third of the farmers who did reduce their corn acreage to their allotments planted the land taken out of corn to other feed crops and soybeans, so that even this reduction cut feed production very little. (4) Supporting the price of corn at more than its feed value caused it to be piled up in government bins, while the production of other feeds was increased to provide feed for livestock and to supply export markets. (5) Most of the land taken out of wheat and cotton was planted to feed crops and soybeans.

The side-lining of corn acreage allotments will have several advantages: (1) The inevitable unfairness of acreage allotments will be eliminated. (2) More land can be used to grow our highest profit crop. (3) Costs of production can be reduced by spreading machinery overhead costs over more acres and more bushels. (4) Less land will be available for producing other feed crops and soybeans. (5) Farmers can use more land, which they already have, for growing corn and will have less need to buy expensive fertilizers, which sometimes fail to return their costs.

(Continued)

The lower price for corn will also have some very real advantages: (1) Feed costs will be reduced, reducing costs of producing pork, beef, milk, eggs and poultry. These lower costs will lead to greater use of corn. (2) Corn will regain its competitive position with other feed crops in our own markets and in foreign markets. The corn grower will no longer be trying to hold an umbrella over other feed producers.

The new program for corn will be more effective as an "ever-normal granary" than the program that has been in effect during the past ten years. With a big crop, corn prices at harvest time may drop to around \$1.00 a bushel as they did last fall. With all farmers eligible for loans, prices will quickly advance to near the loan level. When prices get up to around \$1.15, many farmers may prefer to sell for this price rather than to get a loan. When prices move 5 or 10 cents above the loan levels, farmers will begin to sell their corn and pay off their loans. This will make feed available at prices that will be attractive to the many farmers who buy feed. One important result of this change may be to reduce the big swings in hog production. A more dependable supply of pork would help to maintain a strong demand for this meat and better prices for hogs.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blodgett

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-5/56-13,620
PERMIT NO. 1247

A farmer friend asks some interesting questions about the soybean market. "How come," he writes, "the University 'experts' did not tell us that soybean prices would go to \$3.00? And why did the bean mills slow down, saying that they were losing money, when beans were \$2.25, but operated at full speed when the price went up to \$2.50 and \$3.00?"

A lot of things happened during the past year or so to affect soybean prices. Each new development changed price prospects.

The 1953 crop was small. Prices of soybeans, oil and meal went up. The 1954 crop was a record-breaker, but prices tended to remain high, blocking needed increases in sales at home and abroad. It appeared that the carryover of old beans would be around 30 million bushels, several times the normal amount.

Then farmers boosted their planting of soybeans. Growing conditions were very good during the early part of the 1955 season. Continued good weather would have made a crop of 400 million bushels. This, with a carryover of 30 million would have made a total supply of 430 million, or one-fourth more than the previous record supply of the year before.

A huge production of cotton seed, which competes with soybeans, was also in prospect, and official estimates were raised month after month all through the season. This prospect offset the first reports of deterioration of the soybean crop.

Later these four developments lifted prices of soybeans:

1. 1955 soybean production, at 372 million bushels, though 9 percent greater than the record 1954 crop, fell below earlier prospects.

2. Production of olive oil in the Mediterranean area fell one-third below the 1953 level, and this reduction increased the foreign demand for soybean oil and soybeans.

3. Our government moved to boost exports. The CCC sold the 1954 crop beans that it had taken over under price support loans. About 700 million pounds of soybean and cottonseed oils were sold under Public Law 480. An additional 65 million pounds were sold under ICA agreements.

(Continued)

4. Finally, rising prices have brought on an unusual amount of bullish speculation.

The price of soybean oil has gone up from 10 and 11 cents a pound last fall to around 16 cents recently. This price increase has added 55 to 60 cents a bushel to the value of soybeans.

The price of soybean meal, after sagging most of the season, has advanced more than \$10 a ton. The higher value for meal has added another 30 cents to bean values.

Buyers of soybean oil and meal are not final consumers. The oil is manufactured into margarine and shortening. Thus prices of the oil can change considerably without immediately affecting the rate of consumption. Soybean meal follows an even more round about path to final consumers. It is mixed with other feed ingredients and sold under many brand names. The final consumer products are meats, dairy products and eggs. And prices of the soybean meal can fluctuate widely without having large immediate effects upon consumption. These peculiarities of the soybean market make it subject to unusual price variations.

Soybean stocks on April 1 totaled 176 million bushels, the same as the record stocks of a year before. Farmers held fewer beans, but others had more. Looking further ahead, another large crop of soybeans is likely this fall, though not necessarily larger than last year. Production of cottonseed may be reduced from the 1955 level. But a combination of price-raising forces such as lifted prices this year are not likely to occur in the year ahead.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-5/56-13,620
PERMIT NO. 1247

This is the season of smallest market supplies and highest prices of hogs. Receipts will probably taper off during June and reach the lowest level of the year during the first week in July. The week of the highest prices is much more uncertain.

SUPPLIES. Marketings of 1955 fall pigs reached their peak during the first half of March. At that time nearly 1.4 million hogs a week were slaughtered at major centers--20 percent more than the peak reached one year before. Since that time marketings have declined almost every week, but slaughter has continued 10 to 20 percent greater than a year before.

The pattern of summer hog marketings is changing rapidly. Before World War II, marketings were smallest in August. From 1947 to 1953, market receipts averaged the same in July as in August. Last year June and July were the months of smallest supplies. Weekly slaughter at major centers ranged around 700,000 head except for the first week in July, when it fell to 600,000 head, the lowest of the year. Monday of that week was July 4. July 4 comes on Wednesday this year, so market receipts and slaughter are likely to reach their low during that week.

Receipts have been 10 to 20 percent greater this spring than they were a year ago, but supplies in prospect for the summer are no larger than last year. These facts indicate that the seasonal decrease in receipts from April to June will be considerably greater than it was a year ago.

PRICES. Average prices for barrows and gilts at terminal markets fell to a low of \$10.67 a hundred pounds last December. That was when marketings of 1955 spring pigs were at their peak, and federally inspected slaughter was 40 percent greater than two years before. Prices climbed about a dollar a month in January, February and March. They went up about \$3.00 more in April and the first half of May. By mid-May the average was around \$16.00, or about 50 percent higher than the low December average.

A normal price advance is around 30 percent, so we have already had a larger than normal seasonal percentage increase. Dollarwise the price increase does not seem to be excessive. In fact, hogs are still cheap in comparison with most other farm products.

(Continued)

During the last 10 years the best price recovery was in 1953. After making a monthly average low of \$16.50 in the previous December, the average price went over \$20.00 in March and then ranged from \$20.00 to \$27.00 for 16 months. At that time the price weakness ended about six months after farmers stopped increasing farrowings. Prices seem to be following a somewhat similar pattern now.

Hog prices have not followed any consistent seasonal pattern since World War II. From 1947 through 1954, highest monthly average prices came once each in March, April, July and October and three times in September. In 1955 the seasonal top in hog prices came during the third week of June.

In future years the best prices seem likely to come in May or June, before hot weather starts and before large supplies of early spring pigs come to market.

The 1955 fall pig crop marked the end of 24 months of increasing farrowings. Winter farrowings (December-February) were about the same as those of the year before. Farrowings during the main farrowing months, March-May, have been probably about 8 percent less than last year.

These facts suggest that the worst is past for hog producers. The seasonal price decline this fall seems likely to be smaller than normal, and 1957 should be a good year for hog producers.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-5/56-13,620
PERMIT NO. 1247

The wheat situation and outlook is about the same as it was a year ago. Most farmers have complied with their acreage allotments. They have several choices in disposing of their wheat: They can sell it at harvest time on the open market, or they can store it on the farm, in a local elevator, or in a terminal warehouse and obtain a price-support loan or a purchase agreement, or they may hold it without either type of price support.

Price-support rates at farms and local elevators will average at least \$2.00 a bushel across the country, but they will be higher in Illinois. Rates for individual counties will probably be announced by the USDA in July. It seems likely that the loan rates will be close to \$2.10 in most Illinois counties. Slightly lower rates apply to the southeastern counties along and near the Wabash and Ohio rivers and in the most western counties along the Mississippi River. Highest price-support rates will be in counties around East St. Louis. The rate for wheat stored in approved warehouses at St. Louis, Chicago, and Cairo will probably be around \$2.30 a bushel. These rates apply to Grade No. 1 wheat of approved varieties. Other grades and varieties will be supported at lower rates.

Farmers who have grown more than their acreage allotment of wheat, but not more than 15 acres, are not eligible for price support. They can, however, feed or sell it without any penalty.

Farmers who have more than 15 acres of wheat, and also more than their acreage allotment, must pay a penalty of about \$1.07 a bushel (45 percent of the parity price) on all production in excess of their allotment. They cannot obtain price support on any wheat.

For the past four years wheat prices have followed a fairly consistent seasonal pattern. They dropped about 30 cents below the price-support rate in July, then gradually recovered, and leveled off at around ten cents under the support rate. Such a pattern is probably normal when most of the wheat is eligible for price support and production is greater than use and exports.

(Continued)

Our carry-over of old wheat increased from 256 million bushels in 1952 to 1,022 million last July 1. It is expected to be up to around 1,065 million on July 1 this year. Almost all of this amount will be owned by the government.

The new crop seems likely to be around 900 million bushels, 4 percent less than last year and the smallest since 1943. Such a crop would be just about equal to expected use and exports. Thus we may stop adding to our surplus stocks, but there is not yet any prospect of reducing them during the year ahead.

This marketing year we are using around 485 million bushels of wheat for food and 64 million for seed, exporting 275 million bushels, and feeding about 75 million. Similar rates of use are probable for the coming marketing year.

Some people say that we should give our surplus stocks of wheat "to hungry people in foreign countries." This may be a high ideal, but it is not very practical. We have, in fact, given away and sold at cut rates most of the billion bushels exported during the past four years. When we give wheat away, or half give it away at cut-rate prices, we injure competitive friendly exporting countries--Canada and Australia. Then, too, most important importing countries also produce wheat, and the wheat growers in those countries strongly object to the United States dumping its unwanted wheat in their markets.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Penalty for Private Use to Avoid
Payment of Postage \$300

Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-5/56-13,650
PERMIT NO. 1247

Soil Bank for '57; Doubtful for '56

Folks are asking lots of questions about the new farm bill. We do not yet have a copy of the final bill, but believe that the following statements will answer many questions.

PRICE SUPPORTS FOR 1956 CROPS. Corn. Price support will be as announced before the new bill was passed. Farmers who plant within the acreage allotments already sent to them can get price supports averaging \$1.50 a bushel, national average. Farmers who plant more than their allotment can get \$1.25 a bushel.

Oats. The new bill raises price support for oats, previously set at 70 percent of parity, to 76 percent, or around 65 cents a bushel. There are no acreage restrictions.

Soybeans. Price support for soybeans is unchanged. It will be at \$2.15 a bushel as announced several weeks ago. There are no acreage restrictions.

Wheat. The price support for wheat remains, as previously announced by the President, at \$2.00 a bushel, national average. Loan rates in most Illinois counties will be 5 to 10 cents higher than the national average.

SOIL BANK 1956. As this is written it is not known whether the necessary office and book work can be done in time for corn growers to receive any of the soil bank money. If the paper work can be done, the program will probably work about as follows. (1) The farmer will keep his corn acreage within the allotment previously set for his farm. (2) In addition he will contract with the government to refrain from harvesting or grazing the crops (oats for example) on an additional acreage of land equal to about 19 percent of his corn allotment. The government would pay the farmer \$36 to \$50 for each acre not harvested.

CORN AFTER 1956. The new farm bill allows farmers to vote to choose between two different programs in 1957 and later years.

One program would be essentially a continuation of the one now in effect: (1) Minimum price supports would be continued at 75 to 90 percent of parity for farmers who complied with their

(Continued)

acreage allotments. (2) Acreage allotments would be continued as in recent years, though price support might be made available also to non-compliers. (3) A farmer could get price support without putting any of his land in the soil bank.

The other program would require participation in the soil bank as a qualification for receiving maximum price support. (1) Farms would receive corn base acreages which would average about 18 percent larger than present corn acreage allotments. Farmers who wished to receive maximum price support would have to limit corn plantings to 85 percent of their corn base acreage, and put the remaining 15 percent into the soil bank. (This in effect would keep the corn acreage restrictions about as they are now, and require additional land equal to about 18 percent of the present corn allotments to be withheld from production.) (2) The price support level would be "at such level as the secretary determines will assist producers in marketing corn in the normal channels of trade but not encourage the uneconomic production of corn." Some price support might be made available also to non-compliers.

L. H. Simerl
Department of Agricultural Economics

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Penalty for Private Use to Avoid
Payment of Postage \$300

Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-5/56-13,650
PERMIT NO. 1247

The USDA is moving rapidly to put the soil bank into effect this year. But, remember, the soil-bank program will be built on contracts between farmers and the USDA, and a farmer cannot be sure of benefits until he has a duly executed contract.

We may have been impatient with the USDA for not having contracts ready for signatures the day after the bill was signed. But that was impossible, because Congress made many changes in the bill as it progressed through the various legislative procedures toward final signature. For example, after the House of Representatives had passed the bill, the Senate wrote in 51 amendments before passing it on May 18. The first one prohibited application of the soil bank (acreage reserve) to 1956 crops. Still later this amendment and some others were taken out of the bill before both the House and Senate agreed on the final version that was sent to the President.

The soil-bank law states that it shall apply to 1956 crops, but it was enacted after most crops had been planted. Congress recognized that it would be impossible to get the program into full operation this year and indicated that the Secretary of Agriculture was expected to put it into effect only to the extent that it was practical and possible. This situation raises, and leaves unanswered, some questions about the farm program for 1956. It appears, however, that the main features of the program for corn are, or will be, as follows:

1. The national corn acreage allotment for this year remains at 43.3 million acres. This allotment was calculated several months ago under laws that have been in effect for several years. Each corn grower in the commercial corn area received notice of his allotment well in advance of the planting season. These corn acreage allotments remain unchanged. Farmers who grow no more than their allotment can get price support at around \$1.50 a bushel.

2. The Soil Bank Act establishes a corn base acreage of 51 million acres. This base acreage is not an acreage allotment. The base acreage will be distributed among farmers in the commercial corn area. Those who wish to participate in the soil bank program must keep their corn acreage 15 percent under their base acreage.

(Continued)

A little figuring shows that the national corn base acreage (51 million acres) less 15 percent (7.65 million acres) is just a little more than the national corn acreage allotment (43.3 million acres). Thus any farmer who has planted within his corn acreage allotments will have his corn acreage in compliance for the soil-bank program.

In addition to this compliance, the farmer who wishes to participate in the soil bank will refrain from pasturing or harvesting any crops from land equal to 18 percent of his corn allotment. (Note that 18 percent of the corn allotment is roughly equal to 15 percent of the corn base acreage.)

Reports indicate that payment for each acre put into the soil-bank program will be figured at 90 cents times the usual yield of corn. Land to be put under soil bank contracts may or may not now be planted or seeded to a crop. If planted or seeded, the crop shall be plowed under or clipped by a date to be set by the Secretary.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/56-14,400

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Prices of farm products may have made a good start on an upward trail.

Two important Illinois farm products, hogs and soybeans, have made spectacular price gains during the past six months. Several other farm products also have moved up substantially.

The farm price of hogs moved up from an average of \$10.60 last December to \$15.70 at mid-May. The increase amounts to 48 percent, or about twice the usual advance from the winter low to the summer high. This very strong advance, however, still leaves hog prices low compared with prices of most other farm products. Hog prices in May equaled only 72 percent of parity, which is much lower than most other important farm products.

The average U. S. farm price of soybeans rocketed from \$2.06 a bushel last November to an official \$2.98 at mid-May. The increase was 45 percent, much larger than usual for the season, even for soybeans. At \$2.98 soybean prices were equal to 102 percent of parity.

The official index that measures the average level of prices of farm products touched a post-war low of 222 (1910-14 = 100) last December but had moved up to 242 by May. The December price average was equal to 80 percent of parity, lowest since September 1940, when Adolph Hitler was starting World War II. The May price average was up to 85 percent of parity compared with 86 percent the year before. Price increases from April to May were unusually strong.

The U. S. average farm price of cattle went up from \$13.50 last December to \$15.40 in May. At this level beef cattle prices were equal to 71 percent of parity. The reported price for cattle is an average of all classes and grades from Canner cows to Prime steers.

The price of corn went up from \$1.09 a bushel last November to \$1.39, or 79 percent of parity. At this mid-May price corn was only one cent lower than the year before. Part of this increase was made by locking up more corn in the price support program.

(Continued)

Prices of all of the other five "basic crops" in May stood higher on the parity scale than the price of corn. Tobacco was 104 percent of parity; cotton, 90; peanuts, 89; wheat, 83; and rice, 81. The price of wheat at mid-May was an even \$2.00 a bushel, U. S. average, up only six cents from last October.

The U. S. average price of milk in May was around \$3.86 a hundred pounds and 91 percent of parity. Prices of butterfat averaged 58.4 cents a pound, or 83 percent of parity. Compared with a year earlier, the price of milk was up 24 cents and butterfat was up nearly two cents. These increases are about in line with the increases in support prices that went into effect in May.

The national average price received by farmers for eggs in May was 37.5 cents a dozen, which was equal to 89 percent of parity and nearly four cents a dozen higher than the price received a year earlier.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Blomquist

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/56-14,400

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

1. How can a corn farmer participate in the soil bank program? He can participate by signing an agreement at his county PMA office, keeping his corn acreage below his corn base acreage and holding land out of production in accordance with his agreement.

2. Is the corn base acreage the same as the corn acreage allotment? No. The corn acreage allotment was established for qualifying for price support at \$1.50 a bushel. The corn base acreage is a larger acreage established for soil bank purposes. The corn base acreage on any farm is the corn allotment times 1.178. Example--corn allotment, 50 acres \times 1.178 = 58.9 acres, which will be rounded to the nearest full acre as 59 acres. The difference between the corn base acreage and the acreage put into the soil bank is the amount of corn that a participating farmer can grow.

3. Can you give a typical example of how a farmer will participate in the soil bank? Yes. A typical farmer may have a corn allotment of 50 acres and be growing this acreage of corn. His base acreage is 59, and he would put nine acres (59 - 50) of other land in the bank. The land put in the bank may now be unplanted or growing some crop that will be cut or plowed under before it matures.

4. How much will the farmer be paid for putting land in the soil bank? The rate of payment per acre will be about 90 cents times the normal corn yield on the land taken out of production.

5. Who will determine the normal corn yield of the land put in the soil bank? The PMA committeemen in the county.

6. How small an acreage can a farmer put in the soil bank? Ten percent of the corn base acreage for his farm, but not less than 5 acres, or the whole base if it is less than 5 acres.

7. What is the largest amount that can be put in the soil bank? All of the corn base up to 50 acres; 50 acres on all farms with bases of 50 to 100 acres; and one-half of all bases over 100 acres.

(Continued)

8. A farmer has planted within his corn allotment. How can he participate in the soil bank? He can participate by leaving some other land idle or by clipping or plowing-under oats or soybeans or meadow that has not been pastured or cut for hay this year.

9. A farmer has planted and has grown more corn than his allotment, but less than his base. How could he qualify for soil bank payments? He could qualify by destroying corn to reduce his acreage to within the limits stated in the answers to questions 4 and 6.

10. A farmer has more corn than his corn base. How could he get into the program? He could get in by destroying corn so that his acreage will be within the limits specified in the answers to questions 4 and 6.

11. Can land on which corn was drowned out be put in the bank? Yes, but if the crop is a complete loss, payments will be \$6 an acre. If the field has been replanted, it is considered the same as any other corn.

12. Does the soil bank program affect the price support for corn? No. Provisions for price support remain the same as before the soil bank law was enacted. Farmers who grow no more than their acreage allotments of corn can get price support at \$1.50 a bushel. Those who grow more than their allotments can get only \$1.25.

13. What are the deadlines for participating in the soil bank program? Oats must be clipped by July 1. The farm operator must sign an application by July 20, and landlords by July 31. If any corn or soybeans are to be destroyed, it must be done by July 31.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/56-13,900

PERMIT NO. 1247

The best news for hog producers in three years is that farmers are cutting hog production. The 1956 spring pig crop is 8 percent smaller than that of last year, and farmers intend to cut fall farrowings 7 percent below last year, according to the official USDA report.

Spring farrowings were not only smaller this year than in 1955, but also earlier and better distributed. In fact, the shift to very early farrowings was so pronounced that more pigs were farrowed during the first two months of the season than in 1955. Distribution of farrowings points to an increase of 10 to 15 percent in market supplies during July and August over last year. After September, however, 10 to 12 percent fewer pigs will probably go to market than in 1955.

The number of sows farrowing each month and the percent of change from the previous year were as follows: December, 400,000 sows, up 30 percent; January, 723,000, up 7 percent; February, 1,414,000, down 7 percent; March, 2,151,000, down 7 percent; April, 1,917,000, down 15 percent; and May, 1,045,000, down 19 percent.

Most farmers market their hogs seven to eight months after farrowing, although some get them off in six months or even less. Thus the comparatively large farrowings last December and January will mean unseasonably large market supplies in July and August. The resulting large supplies of pork may be difficult to move unless the weather is cooler than usual at that time.

On the other hand, because the late spring pig crop was much smaller than last year's, the market supply in December and January may also be considerably smaller and prices higher than they were 12 months before. One danger, however, is that farmers, hoping for higher prices, will hold back their hogs in the late fall and put excessive numbers on the winter markets.

The number of spring pigs saved this year is estimated at 53,085,000. This number is about the same as two years ago and only 2 percent more than the average for the ten years 1945-54.

(Continued)

Hog production has been cut most in the western and northwestern parts of the Corn Belt. Reductions by states are Iowa, 13 percent; Minnesota, 16 percent; Wisconsin, 15 percent; South Dakota, 25 percent; and Nebraska, 28 percent. Notice that the cuts are in areas where farrowings and marketings are usually late in the season.

Hog production is still increasing in most of the southern states. Total pigs saved in the southern states were estimated at 9,832,000, or more than in any Corn-Belt state except Iowa. The total increase in pigs saved in the southern states is 515,000 head, or 6 percent.

Farmers reporting in the survey on June 1 said that they intended to cut fall farrowings 7 percent below those of last year. The actual reduction may be greater, just as the cut in spring farrowings was greater than farmers indicated when they were surveyed last December.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-6/56-13,900
PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

The farm price of corn has moved up from around \$1 .00 a bushel last November to over \$1 .40 . Recent prices were a few cents higher than those of a year ago . The advance this year was much greater than usual for the October-June season . Price changes in July and August will depend mostly on government sales of old corn and the development of the new crop .

The total supply of corn is a little greater than it was a year ago, but because more is tied up under price support, the supply of "free" corn (not owned by the government nor under price support) is less . On April 1, corn stocks were estimated at nearly 2.3 billion bushels, 7 percent more than a year before and 47 percent more than the 10-year average . Probably a little more corn was used in the April-June quarter than was used a year before, but July 1 and October 1 stocks are expected to be at new record highs for these dates .

In early June the government CCC owned about 700 million bushels of corn, one-fifth more than one year before . In addition to this amount owned outright by the government, farmers had 366 million bushels under price support on April 15, nearly twice as much as last year .

Last April 1 stocks of "free" corn totaled around 1 1/4 billion bushels, one-eighth less than a year before . This amount is probably not enough to meet needs for feed, industrial uses and export . Thus sales from government stocks will be important in making market prices of corn from now until harvest .

Many farmers see the government as a big "buyer" of their corn . Actual buyers, however, see the selling end of Uncle Sam's corn business .

From last October 1 through June 13, the CCC sold 93 million bushels of corn, or about 5 percent more than in the same period the year before .

(Continued)

The government sells corn for export, and also corn that is unsuited for further storage, and corn for the drouth program.

Exports of corn since October 1 have been much larger than usual. Exports and inspections for export to June 15 totaled 83 million bushels, up about 30 percent from a year before. Uncle Sam supplies practically all of the export market from corn that farmers delivered to satisfy price support loans back in 1952 and 1953.

Farmers are probably feeding a little more corn than they were a year ago. Increased feeding to poultry and dairy cows is probably more than offsetting any decreased feeding to hogs and beef cattle. It appears, however, that most of the reduction in use of corn for hog feed will occur next fall when numbers of 100- to 200-pound hogs will be much smaller than in 1955.

Weather, of course, is always a very important price force during July and August. Because subsoil moisture is short in many areas this year, corn will have to depend more than usual on frequent summer rains.

Since World War II the highest monthly average price for corn has occurred twice in December, twice in January, once in August, and four times in September. Thus the highest price has come either quite early in the marketing year or very late. This year, of course, may be different.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blomward

Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-7/56-13,900
PERMIT NO. 1247

Average prices received by farmers went up 11 percent during the first half of this year. This increase is the largest for any first half since 1943. The farm price average in June was 2 1/2 percent higher than it was the year before.

The three important farm products showing the largest price increases from December to June were hogs, soybeans and corn.

HOGS. The average price of hogs went up from \$10.60 a hundred pounds last December to \$15.60 in June. This increase, which was 47 percent, was at least twice the usual seasonal rise from winter low to summer high. Prices of hogs last December were extremely depressed by abnormally large supplies of pork and other meats. Hog receipts will increase gradually from July until December. More pork is in prospect for the next 60 days than at this time last summer, but the supply for fall and winter is about 10 percent less. Consequently hog prices are expected to hold up much better this fall than last.

SOYBEANS. The average price of soybeans went up from \$2.11 last November to \$2.98 in May. This spectacular rise was not caused by scarcity, because world production of soybeans and the two leading competing crops, cottonseed and peanuts, all reached new record highs in 1955. Here are two reasons for the strong advance: (1) Production of olive oil in the Mediterranean area was reduced about 20 percent. (2) The U. S. Department of Agriculture subsidized exports of soybeans and edible oils under Public Law 480.

Of course, the many farmers who sold their soybeans early got no benefit from the rise in prices, but it is an important fact that record amounts of soybean products have been sold at very good prices. The high prices of recent months are likely to hold over to some extent into the beginning of the new harvest season. The new crop seems likely to be another record breaker, and farmers may hold much of it for sale later in the marketing year.

CORN. The farm price of corn moved up from \$1.09 last November to \$1.42 in June. This advance may have been due mostly to the government price support program. Total stocks are about 10 percent larger than last year, and about three times as much as will be needed during the July-September quarter. But supplies outside the price support program are not adequate to meet domestic and export needs at recent prices. Sales by the government will make up the difference. The government sold around 100 million bushels of corn from last October 1 to July 1. Sales are expected to continue during the summer.

While the price support for corn may have been the biggest factor in lifting prices, the rise in hog prices has also been very important. Since about 45 percent of our corn is fed to hogs, the price of hogs is always an important influence on the corn market.

The new price support program for corn may help to stabilize prices for the 1956 crop. Prices may decline less at harvest because all farmers will be able to get price support loans. And they may advance less after harvest, because farmers will sell their corn under price support at \$1.25 as the market moves up to around that figure.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blomward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-7/56-13,900
PERMIT NO. 1247

Farm real estate values in Illinois seem to have stabilized, according to Professor C. L. Stewart, College of Agriculture, University of Illinois. Citing a recent report by the United States Department of Agriculture, Stewart pointed out that average land prices in Illinois did not change from last November to March.

Prices in other midwest states were also quite stable during this period. There was no change in prices in Indiana, Wisconsin and Michigan. Land prices declined 1 percent in Minnesota and Iowa and 2 percent in Missouri but crept up 2 percent in Ohio.

For the United States as a whole, farm real estate values increased 1 percent from November to March.

Since 1950, farmland values have increased 38 percent in Illinois, 50 percent in Indiana, 51 percent in Ohio, 27 percent in Missouri, and 25 percent in Iowa.

Compared with 1920, the high year after World War 1, recent prices for farmland were up 61 percent in Indiana, 58 percent in Ohio, and 40 percent in Illinois, but they were 6 percent less in Missouri and 7 percent less in Iowa.

Professor Stewart listed several facts that have lifted and sustained prices of farmland in spite of the decline in farm income:

1. Many people see in farmland a safe, long-term investment.
2. Larger farms have become necessary to make profitable use of modern machinery and farmer's own labor.
3. In many areas there is a strong demand for farmland for residential, industrial and commercial developments and for highways and other nonfarm uses.

(Continued)

4. Returns from farmland sold at good prices for nonfarm uses often supply money for the purchase of other farmland, even in a tight land market.
5. There is a strong demand for part-time and residential farms in many areas.
6. Many persons wish to leave an estate consisting of farmland rather than other property that is less well adapted to serving members of a family in succession.
7. Relatively small amounts of farmland have been offered for sale in recent years.

Both federal and state university economists put heavy emphasis on the need to increase farm size. It seems necessary to some operators who want to reduce unit costs without making an additional investment in machinery and equipment. In some cases, Stewart said, tenants encourage their landlords to acquire neighboring acreage for them to farm. The United States Department of Agriculture reports that the desire of farmers to get larger base acreages and marketing quotas for price-supported crops also helps to maintain a strong demand for farmland.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-7/56-13, 900
PERMIT NO. 1247

Are farmers cutting back on cattle feeding? They seem to be feeding for shorter periods than they did last year, but the total number fed seems to be about the same.

Farmers in 13 major feeding states on July 1 were feeding 3,296,000 cattle and calves. This number was 10 percent less than a year ago. Last April farmers were feeding 8 percent fewer cattle and calves than the year before, but the total number of fed cattle marketed between April 1 and July 1 was 8 percent larger.

Official surveys and reports of cattle on feed are made in January, April, July and October. Cattle are counted in the feedlots one or more times, or not at all, depending on length of feeding period. Thus a change in number on feed at any one time does not necessarily mean a corresponding change in total number fed during a season. This year a shortening of feeding periods may account for much of the 10 percent decrease in numbers on feed.

The proportion of cattle on feed less than 3 months increased from 35 percent in July 1955 to 40 percent this year. The proportion on feed 3 to 6 months was the same for the two years--32 percent. The proportion on feed more than 6 months dropped from 33 percent in 1955 to 28 percent this year.

Most of the reduction in cattle feeding is accounted for by a cut in numbers of steers being fed. Steers on feed July 1 were estimated at 2,248,000 head, 13 percent fewer than 12 months earlier; heifers, 909,000 head, 2 percent less; and calves, 129,000, 12 percent less.

Farmers intend to market cattle a little earlier this year than they planned to do a year ago. This year they intended to market 22 percent in July, 23 percent in August, 25 percent in September and 30 percent later. Last year they planned to sell 21 percent in July, 24 percent in August, 23 percent in September and 32 percent later. Actual marketings last year were probably postponed beyond reported intentions.

(Continued)

Farmers in 12 of the 13 states reported that they were feeding fewer cattle than last year.

Numbers on feed July 1 and percentage reductions from a year earlier were as follows: Iowa, 1,025,000, down 6 percent; Illinois, 412,000, down 9 percent; Nebraska, 320,000, down 26 percent; Minnesota, 209,000, down 11 percent; Indiana, 162,000, down 5 percent; Missouri, 146,000, down 6 percent; and California, 398,000, down 13 percent. Texas, with 74,000 on feed, had 48 percent more than last year.

At the beginning of this year, farmers had 9,644,000 steers, or 14 percent more than the year before. This was a record number. It set the stage for a large slaughter, and it set a new record high for each of the first five months this year. Federally inspected slaughter of steers during the period totaled 4,460,000 head, 22 percent more than the year before. This large slaughter, however, still leaves a few more possible slaughter cattle on farms than we had a year ago.

Heifers slaughtered during the first 5 months of this year totaled 1,174,000, 1 percent more than the year before; cows, 2,161,000, 10 percent less than last year; and calves, 3,045,000, up 4 percent. Total federally inspected slaughter of cattle and calves during the first 5 months was 4 percent greater than the year before.

Hope for improvement in prices of fed cattle seems to depend on a leveling off of beef production rather than on any actual reduction in market supplies.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-7/56-13,900
PERMIT NO. 1247

Consumer buying power is at a record high this year, and it will probably continue at a fairly high level for another 12 months. Industrial production reached new highs before the steel strike. The strike probably took the peak off the summer boom, but it reduced stocks of steel and cleared the way for greater output to rebuild inventories.

Around 66 1/2 million people were employed this summer, 2 1/2 million more than the year before. Fewer than two persons in each 100 were unemployed and seeking work, and usually they were not the best workers.

Earnings of factory workers have climbed to around \$80 a week, up \$3 or \$4 from 1955. A new round of wage increases began with the steel contract.

The keystone of the 1956 boom is large spending by business for new plants and equipment. Business outlays for new machinery and other durable equipment at mid-year were running 27.5 billion dollars a year. This rate was 16 percent higher than that of 1955. Businessmen report plans for even larger spending during the rest of this year. So long as spending for new business facilities holds up, a serious recession is unlikely.

Agriculture is often cited as a weak spot in the economy. Lower prices for farm products, however, are accompanied by lower retail prices or by increased handling margins. In either case someone else gets extra money to spend to offset reduced purchases by farmers.

The most serious danger spot in the economy now is stocks of manufactured goods. Business inventories increased 4.2 billion dollars in 1955, and the rate of increase was about the same during the first half of this year.

The rapid accumulation of inventories cannot be continued indefinitely. Some months hence manufacturers and merchants will decide that their stocks are big enough, maybe too big. Then they will cut production schedules and trim their orders. Some workers will be laid off, and pay-rolls reduced.

(Continued)

This recession will probably be moderate, like those of 1954 and 1949. In both of those years consumers kept buying, and businessmen kept expanding. After inventories were moved out, workers were called back to their jobs and production and payrolls were pushed to new high levels.

The recession that is expected in the next 12 months seems likely to be a mild one. The extent of recovery thereafter is more uncertain. Some business analysts think it will be strong, leading to new highs in industrial production, employment and national income. Others believe the recovery will not be sufficient to maintain normal rates of development and growth.

Many farmers have been led to believe that consumers spend a smaller share of their incomes for food now than they spent before the war. The facts, as reported by the USDA, are that consumers spent only 23 percent of their disposable incomes for food in 1935-39, but they now spend 25 percent.

The average family buys about 1 1/2 times as much food now as before the war. People may not eat more total pounds, but they buy much more of the high-quality foods like meats, milk, fruits and green vegetables. Thus American families provide a great market for the abundance produced by the nation's farmers.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-8/56-13,900
PERMIT NO. 1247

Production, Consumption and Prices Up Slightly From Last Year

Dairy farmers have not been pinched so much as farmers who produce and sell hogs, beef cattle and corn. Milk production is a little higher than it was this time last year, consumers are using more milk and dairymen are getting higher prices.

Milk prices were recently about ten percent higher on the parity scale than corn prices and 25 percent higher than prices of hogs and beef cattle. Six months ago the differences in favor of the dairyman were even larger.

PRODUCTION. Although dairymen began this year with one percent fewer cows than they had a year ago, they were getting five percent more milk. Because output increased less than usual this spring, production this summer has been only about one percent higher than it was a year ago. Poor early pastures were responsible for limiting milk production in several important dairy areas. Production is expected to hold near year-before levels for two or three months, but could increase toward the end of the year.

CONSUMPTION. High consumer income and the increase in population have boosted consumption of fluid milk. Sales in federal order markets during the first six months of this year were up about three percent from last year. The Special Milk Program in schools has also helped to increase consumption.

A little more milk has been used this year for ice cream, condensed milk and dry whole milk, but less for evaporated milk.

More butter and cheese were produced from January through April this year than last, but less in May and June.

So far butter consumption has been about the same in the two years. Cheese shows a slight increase.

PRICE SUPPORT. The government buys butter and cheese to support prices of milk and butter-fat. Purchases for price support were a little larger during the first quarter of this year than in 1955,

but second quarter purchases were about the same. Total purchases of butter and cheese for price support during the first six months were equivalent to about five percent of all milk produced.

STOCKS. Storage stocks of dairy products have been reduced sharply from levels of one and two years ago. Stocks are usually smallest at the end of April. At that time this year total stocks of manufactured dairy products represented seven billion pounds of milk compared with 11 billion a year earlier. Of these amounts the government (CCC) owned the equivalent of only three billion pounds of milk this year compared with eight billion pounds the year before.

PRICES. Prices received by U. S. farmers for milk in July averaged about \$4.00 a hundred pounds, 4 percent higher than the year before. Prices for butterfat averaged 58.3 cents a pound, also up 4 percent.

The higher prices this year stem directly from the higher price support for butter and cheese, and from higher prices specified in most federal orders governing prices paid to farmers for fluid milk.

Recent dairy-feed price ratios were generally more favorable than usual, but not so favorable as in some past months. Many dairymen would welcome higher prices, but they would probably bring on too rapid an increase in milk production and consequent surpluses later.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-8/56-14,200

PERMIT NO. 1247

Predict Average Soybean Price of \$2.10

If I have to pick one single price for soybeans as the most likely average for the year October 1956 through September 1957, I will say \$2.10 a bushel bid to farmers at east-central Illinois points.

It is very early in the season to be forecasting soybean prices because of the uncertainty about this year's production. Last year the final crop estimate was 12 percent below the August 1 estimate. In 1954 the final was 13 percent above the August 1 estimate. The August 1, 1956, USDA crop estimate was 443 million bushels. That is up 72 million bushels from last year's 371 million bushels. Production has increased by 50 percent in the last three years.

To help offset this higher domestic production, exports have been increasing and should go up again this year. A total of 75 million bushels seems to be a likely figure.

Allowing 75 million bushels for export, 30 million bushels for seed, and 20 million bushels for carryover, the crush will be 323 million bushels. This crush will make 7.6 million tons of meal and 3.6 billion pounds of oil.

After allowing for domestic use, the exportable surplus of edible fats and oils will be about 100 million pounds less than it is this year. The export situation in 1955-56 was greatly aided by a small olive crop in the Mediterranean area and a small sunflower seed crop in Argentina. On the basis of current estimates, both of these crops are larger than they were last year. Demand for U. S. fats and oils will be less vigorous this year, and prices can be expected to average lower.

The basic demand for U. S. fats is strong because of increased population, world prosperity, and pressures for better diets.

(Continued)

An increase of 1,100 thousand tons of soybean meal above last year's record crop should cause soybean meal to sell in competition with corn on a nutrient basis. The market can absorb the huge tonnage, but the increase may be too big to digest in one year. Livestock numbers will be down as a result of declining hog population.

Regarding the seasonal variation in soybean prices, we should emphasize three points:

- (1) In recent years the price of soybeans has been about as apt to go down as up after harvest;
- (2) if the tremendous supply materializes and if currently indicated supplies of fats and oils outside the U. S. are correct, there is very little chance of a major increase in the price of soybeans in the year ahead; and (3) the effectiveness of the loan rate in preventing a price decline after harvest has never been tested.

Because the estimated economic value of soybeans is less than the loan rate, there is now danger that substantial quantities will be impounded under the loan program and that a surplus will develop.

T. A. Hieronymus
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bidward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-8/56-14,200

PERMIT NO. 1247

Egg prices this fall and in the first half of 1957 are expected to be below those of a year earlier. But the anticipated declines will not be so large as to discourage producers.

During the first six months of 1956, egg prices averaged 11 percent above the comparable period of 1955, while feed could be bought for about 7 percent less. These favorable conditions did not cause any great increase in laying flock replacements.

Chickens raised for laying flock replacements this spring and summer are reported to be only about 2 percent above the record low of last year. And rate of lay this fall is also expected to be above year-ago levels. But, even so, total egg supply this fall should not be more than 4 to 6 percent above the comparable period last year. This increase is not likely to be large enough to prevent the typical seasonal increase in prices. However, the seasonal rise this fall will be less, and the peak will probably come earlier than in 1955. Last year the peak came near the end of December, when Illinois producers were receiving 49 to 52 cents for Grade A large eggs and about 42 cents for current receipts.

Egg prices can be expected to continue somewhat below year-ago levels throughout the spring of 1957. But two consecutive years of good prices could cause farmers to increase chick orders next spring and could lead to considerably lower prices during the 1957-58 production year.

INCREASED BROILER SUPPLIES DEPRESS PRICES. Broiler producers are having an unfavorable year. The immediate future appears to offer no relief. For the first half of 1956, placements averaged 22 percent above the comparable period last year. Marketing of these increased supplies caused farm prices to average about five cents a pound below last year.

(Continued)

Broiler supplies will be well above year-ago levels at least through October. Through this period the farm price cannot be expected to rise above 20 to 22 cents. Odds are better that prices will go below this level during late September and October as the normally high summer demand for broilers and fryers decreases.

The broiler supply situation can change rapidly. Broiler prices during November and beyond will depend largely on present and future placements. Unless placements are reduced to bring supplies at least down to year-ago levels, producers could run into serious price difficulties during the late fall and winter.

RECORD TURKEY CROP EXPECTED. Turkey prices this fall and winter are not expected to be good from the standpoint of the producer. Indications point to a 1956 crop that will exceed that of last year by at least 10 million birds. Production at this level would also top the 1954 record crop by 12 percent or more. With this large number of turkeys moving to market this fall, prices are almost certain to average several cents lower than in 1955. And growers will probably cut back production in 1957.

J. R. Roush
Extension Marketing Specialist

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bloomberg

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-8/56-14,200

PERMIT NO. 1247

The sharp improvement in prices of better fed cattle has stimulated interest in the cost and availability of replacements. For the week ending August 16, the average price of \$26.62 for choice steers at Chicago was \$4.13 above that of a year ago. This was also an increase of \$5.15 since the middle of July. Prices for lower grades of cattle have moved up much less.

While choice steer moved up \$5.15, the average price of all stockers and feeders at Kansas City increased 75 cents but was still 50 cents under last year. Normally from August to November prices of replacement steers decline from 3 to 5 percent and calves from 2 to 3 percent. What will the situation be this year? Let us consider the factors involved in feeder cattle prices.

SUPPLY OF REPLACEMENT CATTLE. The potential supply of replacement cattle is large. The 19.1 million beef calves on hand January 1, 1956, was a record high. This year's estimate of 43.3 million for the total calf crop is one percent higher than last year.

As a result of drouth and the heavy grazing load, western range conditions on August 1 were estimated as the lowest for that month since 1934, probably indicating the need for heavy selling this fall. This supply situation would seem to indicate lower prices, especially as the season advances.

SUPPLY OF FEED. On August 1 the corn crop was estimated to be 3 percent under last year. Total feed grains appeared to be 8 percent below a year ago. However, the large carry-over of feed grains and reduced numbers of hogs indicate ample feed supplies at prices near those of last year. The effect of feed supplies is difficult to evaluate. In total it would seem to indicate a stronger demand, but this will not be true in drouth areas of the western corn belt.

(Continued)



PAST YEAR'S RETURNS. The decline and low level of fed cattle prices during the past year has generally left little spread, and returns from feeding operations have been disappointing for most feeders. Profits have been especially small in short feeding operations. With the recent rise in prices for fed cattle, returns for long feeding operations should show more profit.

CURRENT PRICE SPREAD. The current fed cattle market has a bullish effect on feeder prices. The average cost of all stockers and feeders at Kansas City for the week ending August 16 was \$17.76, which was \$8.86 below the average price of choice steers in Chicago for that week. A year ago the spread was only \$4.25. Again it should be noted that most of the recent price rise in fed cattle has been on choice and prime cattle, whereas the average feeder price includes lower grades that have shown little improvement. Present indications are for near-average returns from feeding operations for the coming year compared with the low returns of the past year.

It seems that prices of replacement cattle will stay near present levels until well into the season. Some decline may occur then, but prices will probably not go below those of late last fall.

M. B. Kirtley
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-8/56-14,200

PERMIT NO. 1247



Some 500 agricultural economists met recently for three days to discuss "Agriculture in Economic Growth and Stability." Some notes from their discussions follow. These statements reflect various individual viewpoints, and not necessarily majority opinions.

The increase or growth in the production of goods and services in the United States has averaged about 3 1/2 percent per year for 80 years. Population increases at a rate of about 1 1/2 percent a year, and production per person about 2 percent a year.

The rate of economic growth is not steady, but is rapid during boom periods and stops during severe depressions.

We cannot reasonably expect government to prevent swings in business activity, but it should keep them under control. Sharp recession still might follow excessive speculation, while inflation would result from overstrong pressures for wage increases, full employment, and farm price support. The future will be what we make it.

Large storage stocks are not the major cause of unsatisfactory farm incomes, and eliminating these stocks would not make farmers generally satisfied with their incomes.

Returns on money invested in farming seem to be about the same as on other conservative investments, but returns for farm labor are often much lower than for non-farm labor. Very commonly too many farmers are trying to make a job and a living from too few acres.

Acreage allotments tend to raise land prices, but they also tend to reduce the amount a farmer can earn by his own work on a given farm.

Farmers are sometimes "pushed off" the farm, but it is better to pull some of them off by attractive non-farm job opportunities. This benefits both those who leave the farm and those who remain.

High employment in the cities did not prevent a sharp drop in farm income, but farm income would decline much more if serious employment were to develop.

Variety and quality considered, a typical family buys half again as much food now as it did before World War II. Consumers spent 23 percent of their incomes for food before the war. They now pay 25 percent for food, but they can buy the prewar kinds and amounts for only 16 percent of their incomes.

Political strategy seems to be much better developed than economic policies and programs. That is, farmers are effective in securing legislation, but the results of this legislation generally fall far short of farmers' expectations.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-9/56-14,200

Permit NO. 1247

Some years ago the major agricultural problem seemed to be to make "two blades of grass grow where one grew before." Now the question seems to be whether we can eat those two blades.

The American people are eating much more grass (meats and animal products) than they ate just 20 years ago. Part of this increase reflects the growing population, but much of it is accounted for by greater consumption per person.

From 1935 to 1939, about seven billion pounds of beef were consumed annually. This year, 1956, about 14 billion pounds will be consumed--or double the 1935-39 average. Further increases in consumption must wait for farmers to boost output, and that is not yet in sight.

Pork consumption has increased from six to eight billion pounds annually in 1935-39 to about 12 billion pounds this year. The greatest part of this increase occurred during World War II. Consumption of pork will decline in 1957 because farmers are cutting back on hog production. In 1935-39 about one billion pounds of veal were consumed annually. Now the amount ranges from 1.6 to 1.7 billion pounds. Little change is expected in the next few years.

Consumption of poultry and eggs has doubled since 1935-38. A further increase is likely next year and for several years ahead. Key to increased sales of chicken has been the great increase in efficiency of production, which has permitted lower retail prices. Marketing improvements also have helped to increase sales by offering consumers more attractive products. Similar changes have occurred in the production and marketing of eggs and turkeys.

Loss of half of the butter market has prevented total consumption of dairy products from increasing as much as the consumption of other animal products. The use of other important dairy products, including ice cream, cheese, evaporated milk and fluid milk, has about doubled. These facts about consumption trends are often overlooked when discussions are centered on farm prices.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Boward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-9/56-14,300

Permit NO. 1247

Illinois Favored by Good Weather

Crop production is very high this year in spite of acreage restrictions on major crops and extreme drouth in the Great Plains. This high production, together with price-support programs authorized by Congress, seems likely to keep excess stocks at record levels for another year.

Crops are especially good in most of the eastern half of the nation and in the Rocky Mountain and Pacific Coast states. Illinois, Wisconsin, Minnesota, Missouri, Kentucky, Indiana, Michigan and Ohio had near-perfect crops.

Extended drouth severely damaged crops in the Great Plains. The area of greatest damage is a belt about 500 miles wide, beginning with Texas and extending northward over Oklahoma, Kansas, Nebraska, western Iowa, South Dakota and Montana. Less severe drouth cut crop yields in the southern states.

Corn, the nation's No. 1 crop, is estimated at 3,336 million bushels--3 percent more than last year and the second largest crop ever produced. The largest, 3,605 million bushels, was produced in 1948.

The Illinois corn crop is by far the best ever produced. The average yield is estimated at 66 bushels an acre compared with 56 last year and a ten-year average of 52.6. Total Illinois production is estimated at 587 million bushels--more than in any other state.

With more corn than last year and with fewer hogs to feed, the carry-over of corn will increase again.

The soybean crop is estimated at 462 million bushels--24 percent more than last year's record crop and 82 percent more than the ten-year average. Largely because of acreage restrictions on wheat, cotton and corn, farmers increased soybean acreage from 14 million in 1950-53 to 21 million this year. It seems quite possible that not all of this production will be used or exported this year and that carry-over stocks will begin to accumulate.

(Continued)

The 1956 wheat crop now is estimated at 967 million bushels compared with 937 million a year ago. Because use and exports seem likely to be lower than production, excess stocks are expected to increase to a new record high.

The oat crop totals 1,115 million bushels--23 percent less than last year and 13 percent below average. Iowa, Minnesota, the Dakotas and Michigan had below-average crops. Price supports for oats have not been high enough to cause excessive supplies to accumulate, and no surplus is expected this year.

Barley output is figured at 370 million bushels--7 percent less than one year ago, but 33 percent above average. Excessive accumulations have not yet appeared, but a big increase in barley acreage is probable in 1957.

The sorghum grain crop is estimated at 163 million bushels. This is 32 percent less than last year, but 16 percent more than the ten-year average. Severe drouth in the central and southern Great Plains shriveled yields this year.

Cotton production is estimated at 13.1 million bales. This output is 11 percent below that of 1955 but is equal to the average of the 10 years 1945-1954. United States cotton is still overpriced in comparison with other cotton available to foreign buyers and with synthetic fibers. Consequently a further increase in stocks is probable.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-9/56-14,500

PERMIT NO. 1247

Hog prices have been unusually stable during the past several months. Helping to maintain this stability was the unusually steady supply of hogs from June to early September.

HOG SLAUGHTER INCREASING. Now, however, we are in a season when market supplies are increasing substantially. Slaughter under federal inspection, which averaged between 800,000 and 900,000 head a week from mid-May to early September, had jumped to around 1,100,000 by September 15 and is expected to climb to nearly 1,400,000 by mid-December. This substantial increase in hog supplies will bring a strong downward pressure on prices.

LESS PORK THAN LAST YEAR. Even so, the supply of pork in prospect for this fall and early winter is moderately below that of a year ago. The situation contrasts sharply with each of the past two years, when market supplies showed big increases over the previous year.

Spring farrowings from last February through May were 12 percent smaller than in the year before. Hogs from these litters will supply most of the pork from October through January. Some of the reduction in numbers could be offset by slaughter at lighter weights, but this is not expected here.

The seasonal increase in supplies will be much smaller than that of a year ago. Then weekly slaughter increased about 150 percent from the low in July to the high in December. This year slaughter is expected to increase only about 90 percent, and about half of this had occurred by mid-September.

With a smaller-than-average seasonal increase in pork supplies in prospect, the seasonal decline in prices of hogs may be relatively small. This decline, however, may occur rather suddenly in response to a sustained increase in receipts.

(Continued)

RECEIPTS MAY REACH PEAK IN NOVEMBER. December is usually the month of largest slaughter of hogs. But November was the big month of slaughter in 1953, and it may be the big month again this year. Spring farrowings this year were the earliest on record, and the cool summer favored rapid gains.

PRICE PROSPECTS FOR 1957 IMPROVE. Recent hog-corn price ratios have not been favorable for hog production. This ratio is a figure showing the number of bushels of corn equal in value to 100 pounds of hogs. At mid-September the ratio was 9.8 compared with 12.6 a year before. This unfavorable price relationship will tend to bring another cut in breeding sows for spring farrowings. Thus it improves the prospects for good prices and good profits for hog producers in 1957.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-9/56-14,500

PERMIT NO. 1247

The livestock situation is rounding some major turning points. The production of meats, which has increased each year for five years, is leveling off and will soon decline.

While meat output is leveling off, population and consumer income are continuing upward. Prices of meat animals were extremely depressed during most of the past 12 or 18 months. Now that production is lower, prices have improved considerably, and further improvement is likely during the next several months.

Beef production increased most and leveled off first. Beef output comes in long waves or cycles, running ten or more years from one peak to the next. Output reached a peak in 1946, declined to a low in 1951, and then reached another and much higher peak during the past 12 months. The increase from the low in 1951 to the present high is about two-thirds.

As beef production leveled off, prices increased sharply. Average prices of choice steers at Chicago went up from \$20.70 a hundred pounds last May to around \$27.00 in September. At the September level, prices were about \$5.00 higher than the year before.

Part of the increase in prices of fat cattle was a normal or typical seasonal spring-to-fall rise. But it was much more than that. It also reflected a general recovery from the extremely depressed prices prevailing through 1955 and the first half of 1956. Even prices of cheap cattle, which normally decline about 20 percent from spring to fall, went up about 15 percent from May to September this year.

No further increase in beef production is now in sight unless farmers and ranchers sell a lot of cows and heifers for slaughter. Total slaughter may hold near the levels of recent months, or even increase slightly, but average weights will surely be smaller.

(Continued)

Pork production, which runs in four- to six-year cycles, also peaked out during the past 12 months. This was the first time in history that the peaks of pork and beef supplies came at the same time.

Federally inspected pork output reached a peak of 1 1/3 billion pounds last December, 39 percent more than just two years before. Pork output declined seasonally during the first half of this year, but total production was one-fourth greater than two years before.

These unprecedented increases in beef and pork supplies forced lower retail prices and allowed marketing margins to increase. Both of these developments cut sharply into prices of cattle and hogs. As beef supplies leveled off during the late summer, prices of cattle advanced sharply. A similar improvement in hog prices is likely during the year ahead. Some normal seasonal decline is likely during October and November, but prices will probably average considerably higher during the next 12 months than they did a year earlier. If employment in cities is maintained at high levels, livestock prices may well remain above recent lows for a few years.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blomward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-10/56-14,500

PERMIT NO. 1247

The corn situation this year is one of great contrasts. The carryover of old corn on October 1 was the largest on record; but because most of it was under price support, the amount available for use and sale was very small. Farmers in the central and eastern parts of the Corn Belt have by far the best crop they have ever produced, but most of those in the western Corn Belt had a near, or complete, crop failure. Stocks total around 4.8 billion bushels, the largest on record; but hog production, which takes more corn than any other use, is being reduced. We have a big government program for price stabilization, but price fluctuations during the past 12 months have been much greater than normal.

The price of corn dropped to a dollar a bushel and lower at harvest time a year ago. The basic reasons for the low prices were that supplies were greater than prospective use and much corn was not eligible for price support. The supply, which totaled 4,214 million bushels, was the largest on record, and about 1,200 million more than there was any prospect of using. Furthermore, prices of hogs, the principal users of corn, were distressingly low, and profits on cattle feeding were slim or nonexistent.

Winter, spring and summer brought several price-lifting developments. Farmers placed 420 million bushels of corn under price support, 60 percent more than in the previous year. Sales of corn for export reached about 105 million bushels, up from 92 million the year before. Government sales of corn for use in this country were reduced to around 35 million bushels, about one-fourth less than one year before. Congress passed a Soil Bank bill which many people believe will help to reduce farm surpluses and lift prices. The Department of Agriculture announced a double-barreled price support program for 1956 corn--\$1.50 a bushel for farmers complying with their acreage allotments and \$1.25 for other farmers. Finally, prices of beef cattle rose spectacularly during the late summer, and prices of hogs held up much better than many farmers expected.

(Continued)

The range of corn prices seems likely to be much smaller during the marketing year ahead than during the one just ended. With all farmers eligible for price support loans, less corn may be subject to forced sale at harvest time than last year. Higher prices for beef cattle and hogs this year also tend to support corn prices.

Any substantial advance in corn prices will probably uncover increasing market supplies. If the price of corn rises to around \$1.15 a bushel, many farmers eligible for \$1.25 price support will sell rather than obtain the price support loan. Then, if prices rise to around \$1.35, many other farmers will sell rather than get the loan at \$1.50.

Uncle Sam may be virtually forced to sell more corn this coming marketing year than in the one just ended. His total stocks of corn are around one billion bushels, up one-fourth from a year ago. Of this amount around 400 million bushels are at least three years old.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-10/56-14,500

PERMIT NO. 1247

Many people have asked about price prospects for soybeans. These questions are a natural result of the large price advance after harvest last year and the big crop that farmers have just harvested.

The present soybean situation is much like that of a year ago, but there are some very important differences:

Soybean prices averaged slightly over \$2.00 a bushel at harvest time in 1955 and about the same during the recent harvest. Prices for the 1955 crop rose spectacularly to over \$3.00 in May. Many farmers are holding their 1956 crop, hoping for a repeat performance.

Both crops were record-breakers, but the 1956 crop is by far the greater, 470 million bushels compared with 371 last year. Carryovers of old beans were not important in either year, being 10 million bushels in 1955 and five million this year.

Several unusual developments lifted prices of the 1955 bean crop: (1) crop yield prospects declined toward harvest time; (2) the Department of Agriculture increased subsidized exports of soybeans and soybean oil; (3) the supply of olive oil in Europe fell far below normal, and European buyers bought our soybeans and oil as a substitute; (4) production of poultry and hogs was pushed to very high levels, making a large outlet for soybean meal; and (5) the justified rise in soybean prices attracted speculation that pushed prices to even higher levels.

Soybean yields this year were better than early prospects. The Department of Agriculture will continue to subsidize exports, but exports may not increase in the same proportion as production has increased. Supplies of most competing products in other countries are larger than they were last year. However, the size of some important foreign oil crops (such as European olive oil, African peanuts and the Asian oilseeds) will not be known for another month or two. Since large amounts of products that compete with soybeans are shipped through the Suez Canal to Europe, any restriction on traffic through the canal would tend to lift prices of our soybeans.

(Continued)

Hog production is declining, and poultry production will probably increase much less than it did in the year just ended. This change will restrict the demand for soybean meal.

The most important factor in soybean prices this year may be the price support program. The price support loan rate will average \$2.15 a bushel. If buyers do not take the large supply at prices near or above the support level, farmers will put most of the excess under price support loans. Experiences with other crops indicate that average market prices are likely to be several cents below the price support loan rates before farmers place large amounts under loan.

The Department of Agriculture has announced that any soybeans acquired by price support loans will not be sold before next October 1 at less than the price support level plus carrying charges.

It has been profitable to hold soybeans for sale after harvest in seven of the ten years since World War II. The exceptions were the crops of 1948, 1952, and 1954.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Blouard

Penalty for Private Use to Avoid
Payment of Postage \$300

Director
Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-10/56-14,475
PERMIT NO. 1247

Farmers are feeding about one percent more cattle than they were a year ago. There is a little less feeding in the corn belt (nine North Central States), but much more in western states. Compared with last fall, cattle now in feedlots are younger, lighter in weight, and have been on feed for fewer days. Farmers expect to market their cattle slightly earlier than they did last year.

On October 1 farmers in the 13 major feeding states had 3,551,000 head of cattle and calves on feed, 1 percent more than one year before. The nine north-central states had 2,562,000 head in feedlots, 4 percent less than the year before. Four western and southwestern states--California, Colorado, Arizona, and Texas--had 989,000 head on feed, 17 percent more than last year.

Two states in the corn belt, Minnesota and Iowa, also had more cattle on feed. Minnesota had an excellent pasture season, a very large hay crop, and a bumper corn crop. Although the cash corn (northwest) section of Iowa had an extreme drouth, the cattle-feeding areas have plenty of feed.

Biggest reduction in cattle feeding from last year occurred in Nebraska and South Dakota. Numbers on feed in other corn-belt states show little change from a year ago.

Fewer steers, more heifers. Farmers are feeding fewer steers than they were a year ago. The number on feed October 1 was estimated at 2,357,000 head, 3 percent less than the year before. Steers made up only 66 percent of the total numbers in feedlots this year compared with 69 percent last year.

There is a large increase in the number of heifers on feed, which more than offsets the decrease in steers. Heifers numbered 961,000 head, 10 percent more than last year and 27 percent of all the cattle on feed this year compared with 25 percent a year ago. Since heifers are usually finished more quickly than steers, this increase points to earlier marketings than in 1955-56.

(Continued)

The number of calves on feed in the corn belt is the same as last year, but more are being fed in Arizona, Texas, and California. Total number on feed was 211,000 head, 17 percent more than last year. Although this is a big percentage increase, the actual number is still small. Most of the calves that farmers have bought in recent months have not yet been placed on feed.

Fewer heavy cattle. Cattle and calves weighing under 900 pounds numbered 2,119,000, 7 percent more than last year. But cattle weighing over the 900-pound mark were estimated at 1,432,000, down 6 percent from last fall. Thus it appears that the total tonnage of beef being finished is no greater than last year, while the tonnage being finished in the corn belt is substantially less than it was a year ago.

Farmers appear to have more cattle headed for market in November than they had last year (but actual marketings will not necessarily be greater). Of the cattle on feed October 1 this year, 25 percent were intended for market in November (22 percent last year). Twenty-two percent were intended for December marketings (23 percent last year), and 27 percent were intended for market after December (same as last year).

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bellward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-10/56-14,475
PERMIT NO. 1247

This is a good time to take stock of our grain supply situation. The official quarterly report of grain stocks on hand on October 1 was released recently, and good estimates of the fall-harvested crops are now available. A stock-taking will show that we have record supplies of corn and soybeans, wheat equal to last year's record high, but less oats, barley, rye and sorghum grain than last year.

CORN. Our corn supply totals 4,535 million bushels, 6 percent more than last year. This figure includes a carry-over of 1,166 million bushels and a new crop of 3,369 million. Total use and exports of corn during this marketing year may be about the same as last year's total, which was 3,110 million. There will be some cut in the amount of corn fed to hogs, but it will be offset by increased use of corn to replace other feed grains, which are less plentiful than they were a year ago.

Of the 1,166 million bushels of old corn now on hand, the government (CCC) owns about 1,000 million, or 85 percent. At least 300 million bushels of this corn is more than three years old, and much of it may be sold during the year. Such sale, whenever it occurs, will have a considerable effect on corn prices.

WHEAT. Stocks of wheat on hand October 1 totaled 1,775 million bushels, practically the same amount as last year. Domestic use of wheat is expected to be around 600 million, the same as last year, but exports may exceed 400 million compared with 335 million last year. Thus the carry-over, which increased from 256 million in 1952 to 1,030 million last July 1, may be slightly smaller by next July.

(Continued)

CATS. Stocks of oats on October 1 totaled 1,057 million bushels, down 26 percent from a year ago. Of this amount the government owned 49 million bushels compared with 46 million the year before.

BARLEY. Barley on hand totaled 390 million bushels, 4 percent less than the year before. Of this stock, Uncle Sam owned 57 million bushels, or 14 percent.

SORGHUM GRAINS. The carry-over of sorghum grains on October 1 was 80 million bushels, which is 7 percent more than a year ago and 2 1/2 times as much as two years ago. Of this total, the government owned 42 million bushels, or 52 percent. The 1956 crop is estimated at 165 million bushels, 32 percent less than last year but 17 percent more than the 10-year average. The total supply of sorghum grains, carry-over plus new crop, is 245 million bushels, 20 percent less than last year.

RYE. Stocks of rye amounted to 28 million bushels, 28 percent less than a year earlier. Uncle Sam owned 45 percent of this supply.

SOYBEANS. The carry-over of old soybeans was negligible, only 4 million bushels. The 1956 crop is estimated at 470 million, which is 27 percent more than last year's record crop and 85 percent above the 10-year average.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-10/56-14,475

PERMIT NO. 1247

Farmland prices in Illinois crept up slightly during the year ending in July. The advance was between 1 and 2 percent, according to a recent report of the U. S. Department of Agriculture. Official figures show little change since last March, although some real estate men say that the trend is still upward.

During this period prices of farmland went up more in most other states than in Illinois. The average advance for the whole country was 3 percent.

Nearby states. Iowa farmland values went up 1 percent during the past year, the same as in Illinois. Other nearby states report larger increases: Missouri and Wisconsin, 3 percent; Minnesota, 4 percent; Indiana, 5 percent; Michigan, 6 percent; and Ohio, 8 percent.

The greatest increases were in the South, the East and California. California and most of the states in the South and East report prices up 5 to 9 percent during the year. Florida reported the greatest increase, 15 percent.

Some declines. Prices of farmland declined or remained unchanged during the year in six states, mostly in the Great Plains and Rocky Mountains. Values went down 5 percent in Colorado and 2 percent in Nebraska. No change was reported for Utah, New Mexico and Kansas. Kentucky land values apparently declined 2 percent last winter, but had recovered half of the loss by July.

Why average land values went up. Many people have questioned why land prices have been bid up in recent years while prices of farm products declined. There are several reasons. The most important one is that land prices lagged far behind prices of farm products during the war-time inflation, and they have been catching up since then. For example, while average prices of farm products went up 193 percent from 1940 to 1948, prices of farmland went up only 104 percent. From 1948 to last July, however, prices of farm products declined 15 percent while farmland went up 40 percent. As of July, prices of farm products were 142 percent higher than in 1940, while land values were up 187 percent.

(Continued)

Land values catching up. This comparison shows that land values are a little higher in relation to prices of farm products now than they were in 1940. On the other hand, land values and prices of farm products show almost exactly the same increases since the widely used base-period years before World War I. The index of prices of farm products was 244 in July and 234 in October; the latest available index of farmland values is 235 for July (1910-14 is taken as equal to 100 for the index of prices of farm products, while 1912-14 equals 100 in the index of land values).

Other reasons. Several other reasons for the rise in land values are often cited: (1) Many farms are now too small to provide a good full-time job for one or two men, and owners of such farms want additional land in order to increase their efficiency and profits. One-third of all farms or tracts sold in recent months have been added to existing farms. (2) In many areas there is a large demand for farmland for nonfarm uses. (3) Irrigation is increasing the value of large acreages in many states. (4) Purchasers consider farmland to be a sound and safe long-time investment.

Farmers are buying about 65 percent of the farms that are being sold, while nonfarmers are buying 35 percent.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blomquist

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-11/56-14,475

PERMIT NO. 1247

"It's been a good year." So spoke an Illinois farmer recently when he reviewed his crop yield and his farm record book. And most other Illinois farmers will say the same— and be thankful for it. Possibly never before have Illinois crops been so outstandingly good as they were this year.

Corn yields up 28 percent. Illinois led the nation in corn production, with 596 million bushels. Our average corn yield is estimated at 67 bushels per acre, 28 percent greater than the 10-year 1945-54 average. The national average corn yield was 44 bushels, only 18 percent above average. Iowa has only 48 bushels, 4 percent less than average. In some areas of northwestern Iowa, the corn crop was a complete failure. Nebraska reports a yield of only 18 bushels, and that was mostly on irrigated land.

Other midwest states reported yields well above average, but much smaller than Illinois. These states and their 1956 yields per acre were: Indiana, 60 bushels; Ohio, 59; Wisconsin, 60; Minnesota, 57; and Missouri, 47.

Soybean yields up 26 percent. The average yield of Illinois soybeans is figured at 28.5 bushels per acre, 26 percent more than the 10-year average. The national yield was only 21.8 bushels, 9 percent more than average. Indiana and Ohio had the next highest yields, 24.5 and 24.0 bushels per acre. Iowa, ordinarily the second largest producer of soybeans, reported a state yield of only 19.5 bushels per acre, 10 percent less than the 10-year average.

Wheat yields best in nation. Illinois wheat yields this year were by far the highest of any state. The state yield is estimated at a whopping 36.5 bushels per acre, 66 percent greater than the 10-year average. The national average wheat yield for the year is 19.3 bushels per acre, only 13 percent more than average.

Second best state wheat yield, 32.5 bushels, was in Idaho. Kansas, the leading wheat state in total production, had a state yield of only 15.5 bushels per acre, 2 percent less than average.

(Continued)

Oats better than average. The 1956 Illinois oat crop was not so big as that of 1955, but it was much larger than average. Our state yield was 46 bushels per acre, 16 percent more than the 10-year average. The national oat yield was only 32.6 bushels, 4 percent less than average.

Hay yield high. The average yield of hay this year in Illinois was 1.9 tons per acre, 19 percent more than the 10-year average. The national average yield was less than 1.5 tons, just 5 percent above average.

Summer pastures good. Our pastures were reported as "poor to fair" on May 1 and again on October 1. But from mid-May until early September they were "good to excellent." For the five months May through September, our pasture rating averaged 82 compared with only 69 for the whole country.

Illinois farmers thankful. Yes, the Illinois farmer was right. This has been a good year. Our state has been mightily favored. Reverent farmers are thankful. And prudent ones, realizing that such unusual bounty is not likely to be bestowed again soon, will save something for the times ahead when they may be less fortunate, and when their needs may be more acute.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-11/56-14,475

PERMIT NO. 1247

Will Farmers Vote on December 11?

On Tuesday, December 11, corn producers will vote to determine which of two price support programs will be in effect during the next three years.

One of the two programs is the one that was in effect before Congress passed the Soil Bank Act last spring. It provided for variable acreage allotments and for flexible price supports ranging between 75 and 90 percent of parity. Under this program the acreage allotments get smaller as the corn supply gets bigger. Also the price support level declines as the corn supply gets bigger.

ALLOTMENTS ARE SMALLER. Acreage allotments for most farms will be about 16 percent smaller in 1957 than they were in 1956. Under this program the price support level would be \$1.36 a bushel in 1957.

If the acreage allotment program is continued, and if the corn supply increases further, acreage allotments will become still smaller after 1957 and the price support rate will also be reduced, possibly to \$1.25 or lower.

Congress seems to have stacked the deck in favor of continuing this program. A vote of two-to-one against it will be required to put it out.

BASE ACREAGE ALTERNATIVE. The other price support program that is available to corn growers would substitute base acreages for acreage allotments. It would allow farmers to grow a larger acreage of corn and still receive price support. The support level would be \$1.31 a bushel. To qualify for price support, a farmer would put land equal to 15 percent of his corn base acreage into the soil bank.

This soil bank requirement could be met in either of two ways. Most farmers would underplant their corn base acreage by 15 percent and put this land into the soil bank acreage reserve. They would receive soil bank payments at the rate of 90 cents a bushel times the estimated normal corn yield.

(Continued)

A few farmers might find it profitable to plant their entire corn base acreage to corn and to put other land, equal to 15 percent of their base, into the soil bank conservation reserve. Payments under the conservation reserve would not exceed \$14 an acre and would require a three- or five-year contract.

BASES LARGER THAN ALLOTMENTS. For 1957, base acreages will average 37 percent larger than acreage allotments. After subtracting for soil bank, most farmers would have 16 percent more land available for corn under the base acreage than under the acreage allotment. Since the national base acreage is set by law at 51 million acres, it will not shrink. Individual farm base acreages might be reduced slightly in order to set up bases for farmers in new commercial corn counties.

In 1958 and 1959 the price support level under this program would probably be continued at 70 to 75 percent of parity. The level announced for 1957, \$1.31, is 74 percent of parity.

Each farmer will receive by mail before the voting date a notice of his corn acreage allotment and his corn base acreage for 1957. He can look at both. If two-thirds of the farmers voting favor the base acreage plan, it will be in effect for the next three years. Failing that, the acreage allotment program will continue until Congress changes the law.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-11/56-14,475
PERMIT NO. 1247

Meat Supply Is Over Peak

Meat producers seem to be out of the woods. They had more than their share of rough going in late 1955 and early 1956, and they will have their same market problems in 1957. But the worst seems to be past.

The major meat animal industries, hogs and beef cattle, were more depressed a year ago than any other major part of American agriculture. Prices of hogs were more than one-third lower than prices of most other farm products. Prices of beef cattle were one-fourth lower.

The main cause of these exceptionally low prices was an unprecedented increase in meat supplies. The total supply of meat (beef, veal, pork, lamb and mutton) increased 27 percent from 1951 to 1956. The output of competing poultry, especially broilers, increased even more.

Retail prices were reduced in order to get consumers to buy the increased supply. Wholesale prices were dropped even more, allowing wider margins which induced retailers to handle more meat. Prices of live hogs and cattle were reduced most of all, allowing larger handling margins.

The total meat supply for this year is 163 to 164 pounds, which exceeds the all-time record high set way back in 1908. The prospective supply for 1957 is a little less, around 160 pounds. While this reduction is small, it will have a much different effect on prices from an increase in supplies.

If consumer demand holds up, as now seems likely, the expected shrinkage of meat supplies will permit higher retail prices for meat, and even larger increases in prices of meat at wholesale and in prices of livestock.

A smaller output of pork will cause the cut in total meat supply in 1957. The supply of beef will remain near the record-high level of this year. For the next few months, the supply of pork will be 5 to 10 percent less than it was a year ago. A small reduction is also indicated for next summer.

(Continued)

The supply for late 1957 cannot be foreseen until the report of farmers' breeding intentions is released late in December.

Although the total supply of beef may be about the same in 1957 as in 1956, the distribution by seasons may be different. Where supplies of well-finished cattle were very abundant during the first half of 1956, they will be more moderate in the first half of the coming year. Likewise, where supplies of fat cattle have been moderate in recent months, they may be larger next fall.

Prices of choice and prime cattle generally decline during the winter and reach a low in the spring. The summer then often brings a substantial price advance. Top prices are expected to decline moderately this winter, but to average higher for the first six months than in 1956. Some recovery is probable next summer, although top prices are not expected to equal those of recent months.

Looking to 1958 and beyond, we can probably expect meat supplies to fall a little short of the 163 to 164 pounds per person available this year. Sales of meat animals may produce a larger share of farm income than they have produced during the past year or so.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bltoward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-11/56-14,475
PERMIT NO. 1247

National farm income, after trending downward for four years, turned up in 1956. It is expected to rise a little more in 1957, according to USDA officials at the recent National Agricultural Outlook Conference.

Consumer buying power is still the greatest support under our farm markets. The American people spend one-fourth of their income for food, the same as before World War II. Consumer income is up about 5 percent from a year ago, and it is expected to be well sustained in 1957 by increasing business expenditures for new plants and equipment.

The government is planning greater expenditures than ever before for farm price support and surplus disposal. Exports of farm products reached a record high in the fiscal year ended last June 30 and are expected to increase one-fourth this fiscal year.

Pork. Pork production, after increasing sharply for two years, is below year-before figures and will continue below through most of 1957. Prices were recently one-fifth higher than a year ago and are expected to average moderately higher in 1957 than in 1956.

Beef. Production of beef, which has increased 60 percent in five years, will level off in 1957. Prices for fed cattle are expected to decline this winter, but not to 1956 lows. Some price advance is probable next summer, but prices next fall are not expected to be as high as those of this past fall.

Dairy. Some dairy farmers are quitting the business; others are keeping more cows, so that cow numbers are holding steady. Production per cow is going up. Total milk production, which has increased 14 percent in four years, will likely increase 2 or 3 percent in 1957. Government purchases for price support equaled 5 billion pounds of milk this past year and may be about the same in the next 12 months.

(Continued)

Corn. The corn surplus is still increasing. Carryover next October 1 is expected to be over 1,400 million bushels, up one-fifth from this fall. Faced with this prospect, the government (CCC) recently resumed sale of storable corn for export to make room to take over the 1956 crop. The soil bank program may help to hold down production in 1957, particularly in areas hit hard by drouth in 1956.

Soybeans. The 1956 crop is estimated at 457 million bushels, 23 percent more than last year's record crop. Unusual export demand lifted prices a year ago as foreign buyers took 67 million bushels. Exports are expected to increase this year, and supplies of competing products in this country are smaller than they were a year ago. Even so, the carryover next October 1 may be around 20 million bushels compared with only 4 million this past fall. Increased plantings are expected in 1957.

Wheat. The wheat surplus may shrink slightly in the next year or two. Carryover last July 1 was a record high of 1,030 million bushels, or nearly twice our annual needs for food and seed. Drouth cut production in 1956, and drouth and the soil bank program are expected to trim production more in 1957. Present government policy forces exporters to buy in the open market, and this tends to hold prices above the support level.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blomward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-12/56-14,475

PERMIT NO. 1247

The early December breaks in grain prices multiplied questions about prospective price trends. The breaks followed substantial price rises after harvests. War scares and memories of price advances last year combined to boost prices. When war tensions eased and the force of record supplies hit the market, more people wanted to sell than to buy, and prices slipped.

Wheat. Stocks on October 1 totaled 1,775 million bushels. This amount is practically the same as the record high of a year before and three times as much as we use for food and seed in a year. Prices in many markets had climbed to such levels that dealers could buy at market prices unlimited supplies out of CCC (government) stocks. At these levels our prices were about 85 cents above prices in world markets. Payments of around 85 cents a bushel were being made to exporters to induce them to find markets for wheat in foreign countries.

The government (CCC), by the amount of the export subsidies, exerts a strong influence on wheat prices in this country. Our surplus stocks of wheat may shrink slightly by next July 1. The USDA expects the carry-over at that time to be around 1,000 million bushels compared with 1,034 million on July 1 of this year. The soil bank program, and more especially the continuing drouth in the Great Plains, may reduce production in 1957, but most of the surplus will still be on hand when the combines roll in 1958.

Corn. Farm prices for the 1955 crop went up from \$1.00 at harvest to \$1.50 last summer. Some people expected the same thing to happen in 1956. But prices for the 1956 crop started at slightly above \$1.00 at harvest and moved up faster than the year before. By December 1 farmers were receiving in the \$1.20's for No. 3 yellow corn.

At this level little or no corn would be placed under price support at \$1.25 a bushel. It became apparent, too, that the surplus was increasing rapidly. The carry-over of corn on

(Continued)

October 1 totaled 1,166 million bushels, up 13 percent from 1955. The prospective carry-over next October 1 is around 1,425 million, up nearly 40 percent in two years. This stock is about half of a year's needs for feed, but it is enough to supply industrial and export needs for three or four years.

Faced with the prospect of having to take over large stocks of corn next fall, the CCC resumed the sale of storable corn for export. In the coming months, as has been true in most recent years, sales of government corn will strongly influence prices.

Soybeans. Production first reached 300 million bushels in 1950. It dropped below this figure in the next three years, but set new record highs in each of the past three years as follows: 1954 = 343 million bushels, 1955 = 371 million bushels, and 1956 = 457 million bushels. The 1955 crop is thus more than half again as large as the record crop prior to 1954.

The record crop of 1954 sold on a declining market. Prices for the 1955 crop went up spectacularly, largely because of unusual foreign demand for beans. Farmers apparently held large amounts of their 1956 crop, hoping for another price advance. Prices went up partly in response to the blocking of the Suez Canal, which restricted shipments of competing fats and oils from the Far East to Europe. The canal cannot be cleared for traffic for some months, but war tensions are easing. The government has no stocks to sell. There is no surplus--carry-over stocks totaled only 4 million bushels last October 1, but may be 20 million or more next fall.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blomward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-12/56-14,475
PERMIT NO. 1247

The results of the corn referendum are worthy of serious study and comment.

The first fact to be noted is that the result of the voting was almost completely misreported. Most of the reports from Washington stated that corn producers had approved acreage allotments. The fact is, however, that less than 39 percent of the farmers who voted approved acreage allotments. Over 61 percent voted for base acreages. Thus three farmers voted for base acreages for every two who voted for allotments. It is therefore misleading to say either that corn growers approved acreage allotments or that they disapproved base acreages.

Congress, in the Soil Bank Act it passed last spring, specified that a two-thirds majority would be required for base acreages to replace acreage allotments. The argument some congressmen used to support the two-thirds requirement was that marketing quotas for wheat and cotton required a two-thirds majority to put them into effect, and that the same requirement should apply to base acreages for corn.

Marketing quotas, however, are very different from base acreages. Compliance with marketing quotas on wheat and cotton is mandatory. Farmers who grow acreages of these crops in excess of their marketing quotas not only lose the price support privilege, but also must pay substantial fines. These fines are so steep that practically no wheat growers plant more than their allotments. Where such compulsion is involved, it may be appropriate to require a two-thirds majority of the voting farmers.

By contrast, compliance with base acreages for corn would have been voluntary, the same as compliance with acreage allotments. The only penalty for noncompliance with either base acreages or acreage allotments was loss of the price support privilege. There seems to be no adequate justification for requiring a two-thirds majority for base acreages and only one-third for acreage allotments.

(Continued)

There were only 163,227 unchallenged votes for acreage allotments. No one knows exactly how many persons were eligible to vote, but the number apparently was at least 10 times as many as voted for allotments. Thus corn growers now have a program that has been approved by the action of only 10 percent of the growers.

Farmers in 24 states voted in the corn referendum. These states and the percentage of votes for acreage allotments for corn were as follows:

West Virginia, 5.1 percent; Delaware, 11.6; Kentucky, 12.7; Tennessee, 13.0; Georgia, 14.7; Alabama, 17.4; New Jersey, 19.0; Illinois, 19.5; North Carolina, 21.4; Michigan, 24.9; Indiana, 25.4; Pennsylvania, 26.2; Ohio, 28.9; Maryland, 33.1; Iowa, 40.5; Arkansas, 40.8; Wisconsin, 45.1; Kansas, 48.6; Virginia, 49.3; Nebraska, 50.8; Missouri, 53.7; North Dakota, 72.5; South Dakota, 72.9; and Minnesota, 76.5.

At least three-fourths of the corn producers did not vote either way. Why? Some did not vote because they did not understand the two propositions. We suspect, however, that most of those who did not vote had little faith in, or concern about, either program.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-12/56-14,475

PERMIT NO. 1247

Interest rates are the highest in more than 20 years. Money is tight. Prices of industrial products and the cost of living are going up. These facts should be of concern to everyone who borrows money or who has life insurance, a savings account or a social security number--and that is all of us.

All of us should be concerned about why these things are happening, and what, if anything, should be done about them. First, why is the cost of living creeping up?

The cost of living is going up because there is a persistent trend toward inflation. Inflation is an excess of demand over supply. That is, at present prices more people want to buy than to sell. Buyers are taking the full output of most of our mines and factories and asking for more. There are more good jobs than good workers to fill them.

While business generally is very active, a few industries, notably home construction, are not running at record levels. Some home builders complain that money is too tight--some would-be buyers cannot find money to finance the houses they would like to buy. Potential buyers of other things also sometimes have difficulty in getting credit. This brings forth statements that money is tight, and demands that the government, or somebody, do something to make money more readily available.

We can all be sympathetic with the young couple who want to buy a house, the farmer who wants new equipment, and the businessman who wants to enlarge his factory. At the same time we must consider what the general results would be if more and easier credit were made available.

Our present supply of buying power is sufficient to take practically the full output of our mines, oil wells, steel mills and factories. More credit would make more people able to buy, but it would not increase the supply of good workers nor boost industrial production. It would boost

(Continued)

demand without increasing supplies. In other words, more and easier credit at this time would only bring on more inflation. Thus our monetary authorities have good reason for not making credit easier to obtain.

The constitution of the United States gives Congress the responsibility for creating and regulating the value of money. Congress has established 12 federal reserve banks to supply the nation with money and to regulate its value. The general policies of these banks are established by a Board of Governors of the Federal Reserve System. The reserve banks control the supply of money through the terms and conditions upon which they make loans to the commercial banks. These banks in turn make loans to you and me.

If and when the demand for industrial products eases off so that we have more products than buyers, then it will be time to ease credit restrictions.

It is, of course, no easy matter to decide just when credit should be tightened up to check inflation and when it should be made more abundant to permit desirable growth and development of our economy. Then, too, some industries may need additional credit, while others have so much that excessive speculation or expansion is encouraged.

Despite these difficulties, monetary authorities appear to have been remarkably successful in stabilizing prices and employment in recent years, 1952-55. We should note, however, that from mid-1955 to October 1956 prices of industrial products climbed 7 percent. The federal reserve board believes that to make more and easier credit available now would bring on more undesirable inflation without providing countervailing benefits. Their point of view is worthy of our serious consideration.

L. H. Simerl

Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blomquist

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-12/56-14,475
PERMIT NO. 1247

IL662w
1957
cop.3

Hog Producers Get Higher Prices, Give Up Markets

The Pig Crop Report released late in December contained the most important news of the year for hog producers. It contained both good and bad news. Most hog producers saw the good news at once. Only a few saw the unfavorable side.

The report shows three principal facts: (1) the number of hogs over six months old on farms December 1; (2) farrowings during the fall (June-November) season, and (3) farmers intentions as to spring farrowings. From these figures we can make estimates of market supplies and prices for the next 12 months.

THE GOOD NEWS. Farmers are continuing to cut hog production. This will make higher prices and better profits in 1957.

The winter market. The supply of hogs available for the winter market will be 12 to 14 percent less than last year. This forecast is based on the following information in the Pig Crop Report: (1) numbers of hogs over six months of age on farms December 1 were 15 percent less than one year before and (2) farrowings last June and July were 12 percent less than in the previous year.

Prospective supplies for this winter show a moderate reduction from the large supply of a year ago. They also are slightly smaller than those of two years ago. The prospective distribution of supplies suggests that the early winter market will be relatively strong. Sales at market-topping weights insure profits. Why gamble with heavy hogs?

The bulk, 52 percent, of the fall pigs were farrowed in August and September. This is the normal proportion for these months. Hogs from these farrowings will make a bulge in market receipts in late February and March. If prices rise before that time, they may decline when this bulge in receipts comes during the late winter.

(Continued)

Spring markets. Market supplies in prospect for April-May-June are around 3 percent smaller than last year, but 10 percent larger than two years ago. Last spring the monthly average price at Chicago went up to near \$17 in June, and the year before to \$19.50.

Summer and fall markets. Farmers reported that they intended to cut spring farrowings by 2 percent. Actual numbers of pigs saved usually differ slightly from farmers intentions.

A 2 percent reduction is small, but it follows a reduction of 8 percent last spring. The supply of pork in prospect for the last half of 1957 is slightly less than that of the past six months, but this is counting pigs before they are farrowed. Altogether, however, 1957 is likely to be a better than average year for hog producers.

THE BAD NEWS. The current shrinkage in pork supplies opens up markets for competing products such as poultry and beef. The broiler industry continues to expand. Thus many of the plates vacated by pork may be filled with chicken. Turkey production increased sharply in 1956 and will increase again this year. Beef production may not rise this year, but it will hold its place. Thus hog producers are prospering now, but are giving up future markets.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blomward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE 278-1/57-14,475
PERMIT NO. 1247

The dairy industry has been more stabilized than most other farm enterprises during recent years. No big changes are in prospect for 1957.

Since 1946, price changes have been relatively small. During these past 11 years, national average annual prices received by farmers for milk ranged from \$3.89 to \$4.88 per hundred pounds. In 1956, the national average was about \$4.15, and the 1957 average could be a few cents higher. Prices received by most Illinois farmers are 50 to 75 cents lower than the national average.

COW NUMBERS DECLINE. Numbers of cows milked reached a peak of nearly 26 million head in 1944. Since then, the number has declined each year except in 1953. Farmers milked more cows in 1953 because prices of beef cattle had dropped sharply a year or so before and the government was supporting prices of milk and butterfat at 90 percent of parity. Price supports were reduced in 1954, and cow numbers turned down again. They have declined slowly since then, moving from 21.7 million head in 1953 to 21 million in 1956. Farmers are not expected to make any material change in total numbers of cows milked in 1957. Some will add to their herds, but others will stop milking.

MORE MILK PRODUCED. Milk production per cow has increased rapidly during the past 12 years. The average increased from 4,600 pounds in 1944 to over 6,000 pounds in 1956. Output per cow is expected to increase similarly during the next few years.

Total milk production reached a peak of 120 billion pounds in 1942 and then trended downward to 115 billion pounds in 1952. New record highs were reached in 1953 and each year since. Output in 1956 was 127 billion pounds, and output in 1957 is expected to be near 130 billion pounds.

DAIRYMEN GET MORE MONEY. Cash receipts from the sale of milk, cream and butterfat reached a peak of nearly 4.6 billion dollars in 1952, slumped to 4.1 billion in 1954, and climbed back to 4.5 billion last year. This year will probably bring a new all-time high.

(Continued)

Consumers readily bought all available dairy products during the war and until 1953. In that year there was a sharp increase in milk production, but price support prevented the price cutting that would have been necessary to sell the larger supply to consumers. To support prices, the government bought butter and cheese equal to 10 billion pounds of milk. Reducing the price support helped to check the increase in production and to boost sales. Government purchases for price support were cut in half by 1955, though they increased slightly again in 1956, when support levels were raised. Surplus stocks have been greatly reduced. Government stocks of cheese have been cut from 335 million pounds three years ago to 190 million pounds, and stocks of butter, which reached 265 million pounds three years ago, have been sold out. Price support will probably continue in 1957 on about the same basis as in 1956.

L. H. Simerl

Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE 278-1/57-14,475

PERMIT NO. 1247

A lot of farmers are wondering when to sell their corn and soybeans. The following summary of grain stocks on farms January 1 may help them decide. The summary is based upon the regular government quarterly report recently released by the USDA.

RECORD STOCKS OF BEANS. Stocks of soybeans on farms January 1 totaled 169 million bushels. This amount was 45 percent more than the year before but only 14 percent more than the previous record set two years ago. Stocks still on farms amounted to 37 percent of the crop harvested last fall. This figure falls between the 31 percent left a year ago and 44 percent left two years ago.

Illinois had the most beans on farms--46 million bushels. Minnesota and Iowa followed with 27 and 26 million respectively. Indiana had 21 million. Illinois, Iowa and Indiana each had about double their ten-year averages, and Minnesota had nearly four times its ten-year average.

There are no surplus stocks of soybeans, but neither is there a scarcity. Thus daily prices are quite sensitive to new market developments.

Reports of total--farm and non-farm--stocks of soybeans and other grains will be released later this month.

CORN UP 5 PERCENT. Stocks of corn on farms January 1 were estimated at 2,331 million bushels--5 percent more than last year and the largest supply since the record high eight years ago.

Illinois had the largest farm stocks of corn--454 million bushels. This amount is 15 percent more than last year and 34 percent more than the ten-year average.

Iowa had 414 million bushels, only 1 percent less than last year and about the same as the ten-year average. Minnesota had the third largest farm stocks on January 1--239 million bushels. This amount was 20 percent more than last year and 59 percent more than average. Indiana and Ohio each had a little less corn than last year, but more than average.

The only important states that are short of corn are Nebraska and Kansas. Nebraska, with 81 million bushels on farms January 1, had 10 percent less than one year before and 52 percent less than the ten-year average. Kansas had only 11 million bushels--26 percent less than last year and 68 percent less than average.

These large farm stocks, plus record supplies on Uncle Sam's back, are likely to prevent a rise in prices such as occurred last winter.

LEAST OATS IN 17 YEARS. Stocks of oats on farms are the smallest since 1940. Farm holdings on January 1 totaled only 696 million bushels--26 percent less than the year before and 16 percent less than average. There is no surplus of oats, but there are plenty of substitutes. The soil bank program helped to cut oat production last year. Minnesota farmers held the biggest slug--114 million bushels. Iowa and Wisconsin each had 89 million, and Illinois 79 million.

LESS SORGHUM GRAINS. Farm stocks of sorghum grains equaled 59 million bushels--18 percent less than last year but 22 percent more than average. Texas had nearly half of this total; the rest was scattered from North Carolina to California and from New Mexico to Minnesota. Production of sorghum grains is increasing and providing more competition for corn and oats.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE 278-1/57-14,475

PERMIT NO. 1247

Increase Less Than Expected

Farmers are not fattening so many cattle and calves as might have been expected. This fact is apparent from the annual USDA report of cattle on feed January 1 that was recently released in Washington. A summary of this important report follows.

The number of cattle on feed in the United States January 1 was estimated at 6,099,000 head, which was 4 percent more than a year ago and 5 percent more than two years ago.

The increase in feeding is small considering the large number of stocker and feeder cattle shipped into the corn belt during previous months. Shipments during July-December were 23 percent greater than in the year before. In comparison, numbers of cattle on feed in the corn belt were up only 5 percent. Part of the large number shipped in went to offset smaller shipments earlier. Some have already been marketed. Some of the remainder may be offset by small shipments this winter.

MORE CALVES. Cattle now on feed weigh less than those being fed a year ago. Over half of the increase in numbers in feedlots consists of calves. Numbers of calves were estimated at 1,198,000 head, 11 percent more than last year. The remainder of the increase is cattle weighing 600 to 900 pounds. Cattle of this weight numbered 2,319,000 head, up 4 percent from a year ago.

Farmers plan to market their cattle later this year than last. This year they plan to sell 18 percent in January, 15 percent in February, 12 percent in March and 55 percent later. A year ago they planned to sell 19 percent in January, 16 percent in February, 15 percent in March and only 50 percent later.

THE FALL MARKET. Farmers may be planning to market later because they have more young, light-weight cattle in feedlots that cannot be finished for early markets. On the other hand, they may have bought lighter cattle because they wanted to sell on a later market.

(Continued)

Many cattle feeders remember that prices of fat cattle went up rapidly last July and that most cattle sold from August to November made good profits. September and October are usually good months for marketing Choice cattle, but prices were even better than usual last fall. There is some danger that too many cattle will be finished for the fall market this year. On the other hand, it is hard to find any other spot on the calendar that offers better prospects.

Illinois ranked second in cattle feeding with 690,000 head on feed January 1. Iowa was first with 1,295,000, Nebraska third with 560,000, California fourth with 496,000, Minnesota fifth with 371,000, and Indiana sixth with 321,000.

Iowa reports the largest jump over last year with an increase of 107,000 head on feed. Illinois has the second largest increase, 51,000 head. The increase in Iowa will surprise many people, because extreme drouth cut the corn crop 50 to 75 percent in some of the western counties. Most of the state, however, had a good crop.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blomward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE 278-1/57-14,475
PERMIT NO. 1247

Economists speaking at Farm and Home Week here drew a dusky picture of the farm outlook.

Of the five who spoke at the opening session, none expected higher prices for farm products. Some notes from their talks follow.

Poultry. Production of eggs, broilers and turkeys reached new record highs in 1956, and prices declined. An even larger output of eggs will make for lower prices during the first half of 1957. Next fall and next year will be better only if farmers substantially reduce laying flocks. Production of broilers continues to increase rapidly, so no price improvement is in sight. Present signs point to another increase in turkey production, about 10 percent in 1957.--J. R. Roush.

Dairy. Milk production per cow increased about 5 percent in 1956, and further increases are certain. Government purchases of butter and cheese for price support amounted to about 4 percent of the total production of milk in 1955 and 1956. No substantial changes in price support levels or in average prices received by farmers are expected in the next year or so. Elimination of legal barriers to the sale of milk would increase the market for milk from Illinois farms.--R. W. Bartlett.

Livestock. The supply of meats per person in 1956 exceeded the previous all-time record set back in 1908. Another large supply is in prospect for 1957. Large inshipments of feeder cattle last fall mean large supplies of fed cattle this year. Prices will average lower than in 1956. Late spring as well as summer and fall farrowings will be larger than last year. Prices will average no higher, and probably lower, than in 1956.--E. E. Broadbent.

Grain. The supply of corn is adequate--the carry-over next October may exceed 1,500 million bushels, up from 1,166 million last fall. The government owns most of the supply carried over last fall. Sales from these stocks now fill about three-fourths of the nation's needs for corn. The

(Continued)

prospective price trend is downward. The soybean market looks a little better, but prices seem more likely to decline than to advance. The carry-over, which was practically nothing last fall, may be 30 to 35 million bushels next October 1.--T. A. Hieronymus.

Business and consumer demand. Consumer demand is not likely to increase in 1957. Business activity tends to run in cycles. The swings after major wars are unusually severe. We are now 11 years after the end of World War II, the same as 1929 was 11 years after World War I. A downswing in business activity is beginning. The increasing population may moderate, but cannot prevent a recession. Likewise easing credit or increasing government spending would not prevent a decline. This year, 1957, will be a year of recession from the high levels of production and sales in recent months. The recession seems likely to continue in 1958, and to be rather severe.

Consumer demand for food will hold up well during the first half of this year, but is likely to shrink in the last half and in 1958. No ending of this downturn is in sight.--V Lewis Bassie, College of Commerce, University of Illinois.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE 278-1/57-14,475
PERMIT NO. 1247

Production and use of soybeans are increasing rapidly, and new records are common. Even so, present supply figures are impressive.

Total stocks of soybeans on January 1 were estimated by the USDA at 330 million bushels, 20 percent larger than the year before. While stocks are large, they reflect a rather rapid disappearance of the crop harvested last fall. Apparent disappearance from October 1 to January 1 was 130 million bushels, 19 percent more than the year before.

Farmers held a large share of the supply. Farm stocks totaled 169 million bushels, which was 45 percent more than last year. Stocks in interior elevators were estimated at 74 million bushels, up 35 percent from the year before.

Supplies of soybeans held in processing plants and terminal elevators were smaller than last year. Stocks at processing plants on January 1 totaled 70 million bushels, 14 percent less than the year before. Stocks in terminal elevators were only 17 million bushels, down 21 percent.

The soybean market is not burdened with government-owned surplus stocks. Government actions, such as special export programs and price support loans, do influence the market, however. The national average support level for the 1956 crop is \$2.15 a bushel.

The carryover of soybeans next October 1 may be as much as 25 to 35 million bushels compared with only 4 million last fall. New crop prospects may have more influence on the summer market than they have had in recent years.

CORN. Stocks of corn in the U. S. on January 1 totaled 3,416 million bushels, 11 percent more than in the previous year. Stocks were greater in all four positions--on farms, in CCC bins, and in interior elevators and terminal elevators.

(Continued)

Farm stocks of corn equaled 2,330 million bushels, up 5 percent. Stocks in CCC bins amounted to 670 million bushels, up 15 percent. Interior elevators held 322 million bushels, up 52 percent. Terminal elevators held 94 million bushels, up 31 percent.

Stocks of corn total 334 million bushels more than a year ago. The supply at the beginning of this marketing year, October 1, was 327 million bushels greater than the year before. Thus apparent disappearance in the October-December quarter was about the same as a year ago. If the relative rate of disappearance does not increase, the carryover next fall will be around 1,500 million bushels, or 25 to 30 percent more than last fall.

WHEAT. Wheat in storage on January 1 amounted to 1,487 million bushels. This supply was 5 percent less than the year before, but otherwise the largest on record for the date. Apparent disappearance during the October-December quarter was 310 million bushels, the largest since 1948.

OATS. Only 786 million bushels of oats were on hand January 1. This supply was 25 percent less than the year before and the smallest in nine years.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE 278-1/57-14,475

PERMIT NO. 1247

Recent headlines about inflation and depression have caused farmers to ask many questions about the business outlook. We will try to answer some of these questions.

Farm income depends greatly on consumer incomes. Families now spend about one-fourth of their incomes for food, the same as before World War II. Thus any cut in payrolls would lead to lower prices for farm products, especially meat animals.

Activity in most industries runs in cycles. For example, two-year cycles occur in auto production and textile weaving. Home building shows a much longer cycle, 15 to 20 years from peak to peak. Every year finds some industries in recession. The big trouble comes when several large industries go down at the same time.

MODERATE AND SEVERE RECESSIONS. We have had two moderate recessions since World War II, one in 1949 and one in 1954. In each one, industrial output outran sales, causing stocks to pile up. One industry after another slowed production. Fortunately, consumers continued to buy freely and assembly lines were soon turning out more products than before. In recent months inventory stocks have again been piling up rapidly. Some slowing-down of assembly lines in several important industries is likely during this year. This kind of recession would last for months, but not years.

A more persistent recession will occur when business spending for new plants and equipment drops off. This business investment increased from around 15 billion dollars in 1949 to 38 billion in 1956. It will continue at a high level through much of 1957, but may slide off late this year or in 1958. A recession caused by restricted business investment is likely to last for more than one year, and perhaps for three or more years.

Since World War II ended more than 11 years ago, some 13 million families have bought new homes. Spending for housing, which topped 18 billion dollars in 1955, dropped off about 5 percent

(Continued)

in 1933. It is likely that we have seen the peak of the rising boom in spending or borrowing

and business expansion should drop sharply at the same time, we would have a serious depression.

DEBTS UP. Business expansion is fed by credit, or debt. Bank loans have increased from 30 billion dollars at the end of World War II to over 110 billion recently. In 1945 such loans were equal to 17 percent of the national income; now they are equal to about 33 percent. This figure is still far short of the 47 percent recorded in 1929. But the point is that we cannot continue indefinitely to increase our debts faster than our incomes increase. Whenever we slow up our spending to reduce our debts, sales and employment will decline.

Some slowing-down of business seems likely later this year. It may or may not develop into a major depression. With this prospect ahead, young farmers who have already contracted large debts may find it advisable to avoid taking on new debts, especially for purchases that will not add materially to the farm income or the satisfactions of farm life.

INFLATION? During World War II government officials and business leaders were much concerned about controlling inflation. They thought the end of the war would end inflation. They were mistaken. Prices of nonfarm products went up only 30 percent during the war. They have gone up over 60 percent since the war ended. Rising wage rates have been a big factor in boosting prices. Further inflation is possible--perhaps inevitable--at any time when there is high-level employment.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE 278-1/57-14,475

PERMIT NO. 1247

Here is important news for stockmen. Cattle numbers have passed over the hump! Large marketings in 1956 cut the number of cattle on United States farms and ranches to 95.2 million head, 2 percent less than one year before. Thus we no longer face the need for heavier marketings to check the increase in numbers of cattle on farms. The outlook is considerably brighter.

As many farmers know, the beef cattle business runs in waves, or cycles. A normal cycle runs through some 12 to 15 years. In one stage prices of cattle are high as farmers hold back cows and heifers to increase their herds. This stage of the present cycle began in 1949, with cattle numbers below 77 million head. By 1951 farmers were holding back so many cattle that beef production equaled only 55 pounds per person. Average prices of steers in Chicago that year exceeded \$35 per hundred pounds. The number of cattle on farms increased rapidly, jumping by 12 million head in 1951 and 1952.

In the next stage farmers increase their marketings of cattle for slaughter, causing prices to decline. When the increase in numbers is checked, herds are reduced. This stage of the cycle began in 1953. It reached the number-reducing stage in the past year.

The supply of beef increased from the 55 pounds per person available in 1951 to 84 pounds in 1956, or more than 50 percent. In other words, whereas a man ate two steaks in 1951, he had three in 1956. Likewise where a boy had two hamburgers before, he had three last year.

Prices were reduced in order to sell three orders of beef where only two were sold before. Prices of steers dropped from the \$35 level in 1951 to \$22 in 1956.

(The drop in the price of cattle was aggravated by the fact that pork production also reached its cyclical peak in 1955-56.)

(Continued)

We have entered the number-reducing stage of the cattle cycle. This stage typically continues for four to eight years. Numbers may be reduced sharply. If so, the supply of beef will be increased still further. It is generally believed, however, that no big sell-off of cattle will occur during the next few years. Rather, it is expected that numbers will be reduced slowly and that beef production will hold near its 1956 level for two or three years.

The reduction in cattle numbers that began in 1956 has occurred mostly in the Southern Great Plains and other drouth areas. Slaughter was very heavy in those areas last year.

The USDA report of cattle on farms and ranches January 1 showed 9.2 million steers on hand, 4 percent less than the year before. The number of beef heifers was 6.1 million, 3 percent less. The number of beef calves was 18.7 million, down 1 percent from a year before. Beef cow numbers were estimated at 24.9 million, down 2 percent.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blomward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE 278-2/57-14,475

PERMIT NO. 1247

Are farmers raising too many hogs? This is a question many farmers are asking. The main reasons for the question seem to be that there has been a scramble for bred gilts and prices are high. This has set many farmers to wondering whether there will be too many hogs on the market next fall and winter.

The hog business went from riches in 1954 to rags in 1955 and then recovered in 1956. Hog prices climbed to \$28 a hundred pounds in 1954. The high in 1955 was near \$23, reached in June.

The last half of 1955 brought the worst price break ever recorded. Prices tumbled from the \$23 top in June to \$12 in December. Basic cause for this unprecedented break was that pork and beef production had both climbed to their cyclical peaks in the same year.

The unusually low prices of hogs had their usual effect on hog production. Farmers cut the 1956 spring pig crop 8 percent and the fall crop 4 percent. Prices recovered during the winter of 1956 and held around \$17 during most of the spring, summer and fall.

The U. S. Department of Agriculture made its regular pig crop survey the first of December. At that time farmers indicated that they would cut 1957 spring farrowings 2 percent below 1956. Since that time, however, prices have been good, and there is some fear that hog production is being overdone again.

The high prices for bred gilts no doubt show a strong demand, but they also probably reflect a limited supply.

Most of the optimism about hog prospects came too late to have much effect on this year's spring pig crop. March and April are the big months in spring farrowings. Most of the decisions affecting these farrowings were made last October and November. At that time farmers were thinking of \$12 hogs.

(Continued)

The "in-and-outers" in the hog business apparently have a good memory for things that happened the year before. They remember vividly the low prices for hogs a year ago last December and January. Recalling those prices, they probably have not gone overboard into the hog business this year.

Illinois farmers are probably increasing hog production. They cut production only 3 percent last spring when the national total was down 8 percent. And last fall, when national production was cut 4 percent, Illinois farmers increased 2 percent. Then they harvested a super corn crop last fall--best in their history and best in the nation. So it will not be surprising if Illinois farmers are increasing spring farrowings this year. Farmers in other states have less inducement to boost hog production.

A study of farrowing records shows that when farmers cut production they usually keep it down for two or more years. The exceptions to this rule have occurred during wars, when good prices were assured.

* * * * *

Marketings of pigs farrowed last fall are now near their peak. Supplies are expected to shrink after mid-March. Declining supplies will favor moderate price advances. Prospective market supplies for the next 90 days are only slightly smaller, maybe 4 or 5 percent, than last year. And, except for last year, the supply in prospect for the spring is the largest since 1951.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blodgett

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE 278-2/57-14,475

PERMIT NO. 1247

The soybean picture seems to be clearing up. Farmers have placed around 60 million bushels under price support. Supplies of other beans are not sufficient to fill expected needs for processing, export and seed. Thus some--perhaps around half--of the beans now under price support loans will be needed before the next crop is available.

The national average price support level is \$2.15 a bushel. In Illinois the county loan rates, including moisture premiums, are around \$2.24. Prices must usually be 5 cents or more over the support level to cause farmers to pay off their loans and sell their beans. This might seem to provide a floor of sorts under prices at around \$2.30.

This floor, however, may not be effective. Soybean price support loans mature May 31. After that date the government (CCC) will take over all beans pledged by farmers for price support loans. These beans will be offered for sale at the market price or the support level plus reasonable carrying charges, whichever is higher.

Sales make market prices. Thus the requirement that beans cannot be sold at less than the market price does not set a floor for sales.

Reasonable carrying charges have been defined as 1 1/2 cents a bushel a month. Thus the floor price for CCC sales in June would be equivalent to an average Illinois farm price of around \$1.25. The minimum sale price will be raised 1 1/2 cents a month.

In most past years almost all of one crop of soybeans has been used up before the next is harvested. For example, no more than 3 million bushels of old beans were left on hand last October 1. This year, however, we may have a substantial carryover when the new crop harvest begins.

Stocks of soybeans on February 1 totaled around 295 million bushels. Taking out 30 million for seed and farm feed, the same as last year, leaves 265 million, 52 million more than a year ago.

(Continued)

The 265 million bushels available February 1 for export, crushing and carryover may be distributed about as follows: Exports may take 30 million bushels compared with 25 million last year; processors may use 200 to 210 million compared with 184 million. This would make a total disappearance of 230 to 240 million bushels for the February-September period. It would leave some 25 to 35 million old beans on October 1 compared with only 3 million last October 1. And several million bushels of new-crop beans may be marketed before October 1, as was true last fall.

While the government does not now have any beans on hand, it can influence the market in two ways: (1) It can put greater or less emphasis on export subsidies whereby large amounts of soybeans and soybean oil are moved. (2) As indicated previously, it will probably have beans for sale after May 31.

Farmers are holding most of the beans at this time. If they hold tight enough, some of them will get the price they want. But higher prices would restrict export sales and processing activities and make for lower prices later.

Substantial price improvement appears now to depend upon some important new development, such as another international crisis or a poor growing season.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE 278-3/57-14,475

PERMIT NO. 1247

Supply Squeeze Doubtful

Two developments seem likely to strongly influence corn prices during the next six months. They are (1) the amount of corn that the government (CCC) sells and (2) the amount that farmers put under price support. A very poor growing season would also influence prices.

From October 1, 1956, through February 27, 1957, the CCC sold 127 million bushels of corn compared with 53 million a year earlier. CCC sales this year have supplied around two-thirds of the normal flow of grain, leaving only small demand for new corn from farmers' cribs.

The greater sales of CCC corn this year result from a change of policy. Last year the CCC sold mostly corn that was considered to be unstorable. Exporters wanting good corn had to buy it out of the new crop. This season the CCC has supplied good corn for export and thus has limited the demand for new corn.

It seems likely that the CCC will continue to supply the export market, but government policies are always subject to change. Sales of corn unsuitable for further storage will continue, although probably in smaller volume than in recent weeks. Sales for drouth relief (about 9 million bushels in February) will likely be reduced, especially if the drouth in the Great Plains is broken.

Of all corn sold by the CCC since October 1, one-half has been for domestic use (unstorable), one-third for export, and one-sixth for drouth relief. Export sales dropped off in February, but other sales increased. Sales by CCC in future months might average half as much as recently.

A reduction in CCC sales would not insure a rise in the price of corn. Farmers may sell large amounts. Furthermore, the demand for corn normally declines when farmers can turn their cattle onto pasture and when new small-grain crops become available. Pasture and small-grain harvest come early in the South.

It is possible, but unlikely, that farmers will put enough new corn under price-support loans to tighten up the market supply. Stocks of corn on January 1 totaled 3,400 million bushels. Of this

(Continued)

amount about 950 million bushels was CCC-owned, and around 75 million bushels was old corn tied up under resale price support loans. This left 2,375 million bushels of other, or new, corn.

Disappearance during the January-September period this year seems likely to be about the same as last year, 1,900 million bushels. Of this amount, around 125 million bushels may be old corn out of CCC stocks and 1,775 million bushels, new corn. This would leave 600 million bushels of new corn to go under loan and for "free" carryover.

Last year about 420 million bushels were put under loan, and the "free" carryover was cut to less than 100 million bushels. This year around 500 million bushels, or 15 percent of the crop, would have to be put under loan in order to tighten the supply. Such a percentage has been put under loan only twice before, once in 1948-49 and again in 1953-54. In both years all corn was eligible for price support, as is true this year. However, in the earlier year the average price during November-May was 24 cents below the loan level, and in the later year 18 cents below. Market prices this year are much closer to the \$1.25 loan rate that applies to most corn. Thus enough corn may not be placed under loan to make a tight market supply this year.

The total carryover next October 1 will be around 1,500 million bushels compared with the all-time high of 1,165 million last fall.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blomward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE 278-3/57-14,475
PERMIT NO. 1247

The beef cattle situation is much better than it was a year ago. The big increase in beef production has been stopped. Consumer demand is catching up with supply. Prices for fed steers have been above year-before levels for eight months, and they are expected to average higher in 1957 than in 1956.

Note the following favorable points in the beef cattle situation:

1. Consumers have become accustomed to eating more beef than ever before. Consumption last year averaged 84 pounds per person, one-fourth more than the 10-year average.

2. The beef supply expected during this year will make only 81 pounds per person, 4 percent less than last year. While this reduction is moderate, it contrasts sharply with the big increase of 52 percent during the previous five years.

3. The prospective supply of pork, which competes with beef, is very small. Only 63 pounds of pork per person is expected this year. This would be 4 percent less than last year and the second smallest supply since 1938.

4. Beef may not meet so much competition from low-priced broilers as it did last year. Whereas broiler output increased about 20 percent in 1956, only a small increase is in prospect now.

5. Consumer demand is at a record-high level. While some normal lay-offs are likely, total employment and consumer buying power are expected to hold near record levels this year.

6. The number of cows in relation to our population is 6 percent smaller than it was two years ago. The reduction in cow numbers means that the beef supply is not likely to increase but may decrease during the next few years.

7. The number of cattle on feed January 1 was 4 percent larger than on that date the year before, but there was no increase in tonnage because the cattle were smaller. Since January 1 the movement of stocker and feeder cattle into the corn belt apparently has been about the same as last year.

(Continued)

8. Present and prospective costs of corn for feeding cattle are lower than they were a year ago.

Prices of choice steers seem likely to make at least a normal spring-to-fall advance this year. Prices usually reach their low for the year in February, March or April, and then climb 15 to 20 percent to a high in August, September or October.

Last year the spring-to-fall price rise was exceptional. Prices went up from \$18.88 in February to \$27.27 in September, a jump of 47 percent. This year's February average, \$20.57, may also be the low for the year. The spring-to-fall rise surely will be less than last year, but perhaps more than average--we'll say \$4.00 to \$5.00.

The best months to sell cows and low-grade steers are March through June. After that time increasing supplies of grass cattle usually push prices downward until October.

During the next few years average prices of cattle seem likely to rise relative to prices of other farm products.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Boward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-3/57-14,475
PERMIT NO. 1247

The hog outlook for the next 12 months remains favorable. Farmers are increasing production slightly, but the supply of pork available for each person will apparently continue near the relatively low levels of the past 12 months.

These conclusions are based on a study of the quarterly pig crop report recently released by the USDA. The report was a summary of a survey of nine midwestern states that produce about 70 percent of the nation's pork. The survey and report were set up on three-month, or quarter, periods. A summary by quarters follows:

1. April-June market. The number of hogs 3 to 6 months old on farms March 1 was 1 percent larger than the year before. These hogs are the last part of the 1956 fall pig crop. They will furnish most of the pork during the next 90 days. Probably a larger proportion of gilts will be kept for breeding purposes than last year, so the number of hogs available for slaughter during April-June may be 1 or 2 percent less than last year.

2. July-September market. The number of pigs under 3 months old on farms March 1 was 2 percent larger than one year earlier. These pigs, which are counted as part of the spring pig crop, will make most of the pork supply during July-September. Here, too, a larger holding of gilts for breeding may keep market supplies during the summer equal to last year.

3. October-January market. Farmers in the nine states expect to have only 1 percent more sows farrow during March-May this year than last. Because around 2 percent more pigs may be saved per sow, an increase of about 3 percent is indicated in total number of pigs saved during this quarter. These pigs will supply the pork from about October through January. It seems likely that more gilts will be held out of these litters, too, so the supply of hogs for slaughter next fall may be little or no greater than last fall.

(Continued)

4. February-March 1958 markets. Farmers on March 1 expected to have 3 percent more sows farrow this summer (June-August) than last. Pigs from these farrowings usually make up 50 to 55 percent of the fall pig crop, which includes all pigs farrowed from June 1 through November.

They will supply the market with pork around next February and March. Part of the increased farrowings scheduled for the summer quarter reflects the trend to earlier farrowing of the fall pig crop. That is, we are getting more pigs in August, and fewer in September, than formerly.

It is possible that farmers will increase hog production a little more than they indicated in the March survey. But even if they do, the outlook will still be favorable. An increase of nearly 2 percent is necessary to match the increase in population.

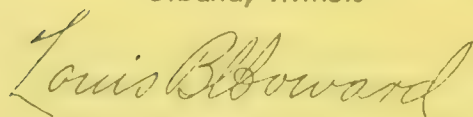
The supply of pork available during the year ending with March averaged only about 60 pounds per person, 10 percent less than the average of the previous five years.

Prices of hogs during the next 12 months may average about the same as in the past year, but the seasonal changes will likely be greater. A moderate price advance is likely during the next 90 days, with the best advances possibly in May. The summer high is expected before summer heat waves hit the eastern consuming centers. The fall decline may be a little more than it was in 1956. The next big drop in prices seems likely to be postponed until the fall of 1958.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-3/57-14,475

PERMIT NO. 1247

In recent weeks farmers have written us about prospective Illinois farm income in 1957 compared with 1956 and have suggested that we discuss this question in this letter, so here goes:

Illinois farm income. The year 1956 was a very good one for most Illinois farmers. Their crop yields were exceptionally high. Lower, more nearly normal yields are probable this year. Prices of our crops, too, are likely to be lower as a result of larger supplies of some crops and generally lower levels of price support.

The state average corn yield in 1956 was 68 bushels an acre, seven bushels over the previous record set in 1943. The Illinois yield was 29 percent above the ten-year average, while the national average was up only 22 percent.

Our state soybean crop was a third greater than the previous record set only one year before. The average yield of 28.5 bushels an acre was also a new record high. It was 26 percent above the ten-year average, while the national average was up only 9 percent.

The Illinois average wheat yield last year was a whopping 37 bushels an acre, by far the highest in the nation. It was 68 percent greater than our 10-year average, while the national average was up only 17 percent.

The 1956 Illinois oat yield was 47 bushels an acre, not a record, but above the 10-year state average by 16 percent, while the national average yield was up only 1 percent.

The Illinois hay yield was outstanding, too, in 1956, two tons an acre. This was 25 percent above the state 10-year average, while the national average hay yield was up only 7 percent.

(Illinois pastures were about average during most of the season, but even that was good in comparison with the drouth-parched pastures and ranges of many other areas.)

(Continued)

Though farmers' skill was in part responsible for the high yields in 1956, growing conditions were exceptionally favorable in every area of the state. It is unlikely that growing conditions will be so uniformly good this year. Therefore yields are expected to be lower.

Price support levels announced for 1957 crops are 5 to 14 cents a bushel lower than for the 1956 crops.

While returns from livestock might be higher this year than in 1956, they are not likely to be up enough to offset the expected lower crop yields and prices.

A reminder:

Hog producers can enjoy delicious barbecued pork chops
and get profitable new ideas by attending

SWINE DAY--TUESDAY, APRIL 16

University of Illinois

Visit the Swine Farm 8:00 to 10:00 a.m.

Program at Auditorium begins at 10:30.

SELECTION, FEEDING AND MARKETING

Report on profitable farm practices

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
ILL. EE278-4/57-14,475
PERMIT NO. 1247

The nation's pigs and other farm animals can stop worrying about where their next meal is coming from. Feed supplies will probably continue at near record levels for at least another year. The large supplies will continue to bear down on prices. And price support levels announced for 1957 crops are slightly lower than those on 1956 crops.

It is true that the acreage of corn will probably be reduced substantially, but many farmers aim to produce more of other feeds. This is evident from the USDA survey and report of prospective plantings released in March.

Corn. The March report says that "corn plantings may total 74.4 million acres, the smallest in 70 years, or 5 percent less than in 1956 and 11 percent below the 1946-56 average."

Farmers in Nebraska are cutting corn acreage most, about 21 percent. Most of the cuts are probably on their nonirrigated dry land, which did not produce much last year. Iowa farmers are cutting about 5 percent and Illinois 3 percent. Ohio is cutting 4 percent and Missouri 6 percent.

Two important states, Indiana and Minnesota, will plant about the same as last year, but more than their 10-year average.

Oats. The acreage of oats is forecast at 43.5 million acres, 3 percent less than last year, but only 1 percent less than the 10-year average. Most of the reduction apparently is on the low-yield lands of Nebraska and South Dakota.

More barley. Farmers reported that they would plant 16 million acres of barley, 9 percent more than last year and 30 percent more than the 10-year average. The largest increases are in Montana and North Dakota.

And more sorghums. Indicated plantings of sorghums total 26.5 million acres. This is 23 percent more than last year and 74 percent more than the 10-year average. The acreage expected to be harvested for grain is 15.6 million, 67 percent more than last year.

Hay acreage shows little change, being down 1 percent from last year.

1957-58 supplies. Over two-fifths of next year's feed grain needs are already in the bin. Carryover stocks of old grains will be about 50 million tons compared with annual needs of about 118 million. With yields equal only to the 1951-55 average, total production will be 119 million tons, making a total supply of 169 million tons. Average weather, however, will make larger than average yields, so the total supply of feed grains may be near the record supply of 173 million tons available this year.

Current markets. Illinois farmers are putting a little more corn under loan than last year, but other states are not. The increase in Illinois reflects bumper yields of the 1956 crop. It now appears that farmers will place about the same amount of corn under loan as they did last year, 421 million bushels. This may not be enough to tighten up the market supply this summer.

The CCC sold 140 million bushels from October 1 to March 20. This was nearly as much as was sold by CCC in the entire 1955-56 marketing year. CCC is expected to reduce its sales in the late spring and summer, but farmers, particularly in Illinois, have more corn yet to sell than they had a year ago.

In Washington, the unusual interest in cutting federal spending will help to block any new program for cutting production of corn and other feed grains.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blooward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-4/57-14,475

PERMIT NO. 1247

The April 1 crop report has much of interest to Illinois farmers. Here is a summary of the most important points, together with related comments.

Soybeans. Stocks of soybeans on farms April 1 were estimated at 116 million bushels, 93 percent more than the year before. April 1 stocks this year equaled 25 1/2 percent of the previous crop, whereas a year before they were only 16 percent of the previous crop.

(Apparently much less than half of the farm stocks of soybeans was under price support. The total amount under price support was apparently around 50 million bushels, but this total included beans stored in elevators and warehouses as well as those on farms.)

Corn. Farm stocks of corn on April 1 totaled 1,615 million bushels, 8 percent more than one year before. (The amount of new crop corn under price support is probably about the same as that of a year ago. Thus the supply of corn on farms not under price support is considerably larger than it was a year ago.)

Oats. Oat supplies on farms April 1 totaled 410 million bushels, 28 percent less than the year before and the smallest amount since 1948.

Pasture conditions. The nation's pasture rating on April 1 was 76, which was a little better than the 73 reported a year earlier, but not equal to the ten-year average of 81. Pastures were very poor in the seven range states from Kansas and Colorado north to the Canadian border. Cool weather has prevented good pasture growth.

(There are some signs that the drouth, which began around 1950 in the southwest, may move into the northern plains this summer.)

Wheat. Stocks of wheat on farms April 1 were estimated at 166 million bushels. This amount was 23 percent less than last year and the lowest since 1947. (Total stocks, however, are near the record high of a year earlier.)

(Continued)

The 1957 winter wheat yield was forecast at 18.2 bushels an acre. This yield is equal to that of ten years ago, which is the second highest on record. Production of winter wheat was forecast at 669 million bushels. This figure is 7 percent more than was forecast on December 1 but would be the smallest winter wheat crop since 1951. Crop prospects have improved since April 1. (An improvement of 10 percent would make the 1957 crop equal to that of 1956.)

Production of spring wheat was not forecast in the April report. On March 1 farmers indicated that they would plant 12.8 million acres. This acreage would be 21 percent less than last year and 33 percent less than average. Spring wheat production last year totaled 262 million bushels.

Indications now point to a carryover of wheat on July 1 of 985 million bushels, 5 percent less than the record carryovers of the previous two years.

The reduction is being accomplished by near-record exports to Europe. Large exports have been possible in part because the 1956 European crop was poor. The 1957 U. S. crop may be around 875 million bushels, 12 percent less than the 1956 crop. This and the carryover would make a total supply of 1,860 million bushels, or 9 percent less than the record supply that was available this year. The point is that the excess stocks of wheat are being reduced very slowly.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blomward

Director

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-4/57-14,475

PERMIT NO. 1247

Farmers are feeding a few more cattle than they were a year ago, but the outlook is not bad.

This conclusion is based largely on the USDA survey and report of cattle on feed April 1.

The number of cattle and calves on feed for market in 13 major feeding states was estimated at 4,392,000 head. This was 4 percent more than one year before. The number on feed decreased 15 percent from January 1 to April 1, which is about the normal decrease for the first quarter.

The increase in numbers consists of both heifers and steers weighing 600-900 pounds. These cattle apparently were placed on feed last fall and are intended for market after July 1.

At least part of the increase in numbers of cattle in feedlots this year reflects a longer average feeding period rather than a greater number moving through feedlots.

Farmers indicated that until after July 1 they intended to market fewer cattle this year than last. Cattle intended for market after July 1 number about 10 percent more than last year and about the same as two years before.

Recent prices for fed cattle are \$3 to \$4 higher than a year ago. These higher prices, plus the larger supply intended for market after July 1, will tend to prevent any big advance in prices this summer.

Two years ago, when the cattle feeding situation was about the same as it is now, prices of fed cattle declined contraseasonally from spring to fall. There were unfavorable developments at that time, however, which are not likely to recur this year.

For example, total beef production was increasing rapidly in 1955, but it is not likely to increase this year. Pork output increased even more rapidly than beef in 1955, whereas output will remain low in 1957.

(Continued)

Many of the calves bought and put on feed last fall seem to have "grewed up." Whereas the January report showed considerably more calves on feed than one year before, the April 1 report showed fewer.

Numbers of cattle in different weight ranges in feedlots on April 1 were as follows (comparable figures for one year earlier are in parentheses):

Under 600 pounds	920,000	(905,000)
600-900 pounds	2,160,000	(1,980,000)
Over 900 pounds	1,312,000	(1,337,000)

Expected months of marketing were:

April	668,000	(766,000)
May	662,000	(718,000)
June	737,000	(595,000)
Later	2,325,000	(2,034,000)

Cattle on feed in Illinois were estimated at 610,000 head, 6 percent more than last year and about the same as two years ago. Other states showing important increases from a year ago are Iowa, 6 percent; Minnesota, 19 percent; South Dakota, 16 percent; and Colorado, 15 percent.

Substantial reductions in cattle feeding were reported in Texas, Arizona, Kansas and Idaho.

As we have said before, the supply of beef is leveling off, allowing consumer demand to catch up with the supply.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-4/57-14,475
PERMIT NO. 1247

The outlook for poultrymen is mixed. Egg producers have the best prospect for a good year ahead. There is a good chance that broiler producers will make some profits in a few months. Turkey growers seem to have the poorest prospect.

Fewer eggs? Production of eggs has increased about 2 percent in each of the past three years. All of the increased production has come from a larger number of eggs per hen, since the total number of laying hens has declined about 1 percent a year.

A much sharper drop in number of layers is in prospect. At least one-fifth fewer chicks were bought for laying flock replacements this year than in 1956. This reduction will probably bring an important cut in egg production next fall and in the first half of 1958. A small reduction in egg supplies would permit a substantial recovery of egg prices.

The present outlook for egg producers is much like it was two years ago--in 1955. At that time egg prices had been very low during the preceding fall and winter. Farmers cut back their purchases of chicks for laying flock replacements by one-fourth. However, they then kept more hens over, and egg production was not reduced. But, curiously enough, egg prices went up anyway and egg producers had a profitable year.

Broiler output stabilizing? The broiler business has been growing like a mushroom. Broiler production in 1956 rose to 1,800 million birds, 24 percent more than the year before and double the output of 1950.

Production continued to increase rapidly during the first few months of this year, but it now shows some signs of leveling off. At mid-April placements of chicks for broilers and settings of eggs in the main broiler-producing states were about the same as one year before.

(Continued)

If supplies of broilers should level off for a few months, consumer demand would catch up with supply and prices paid to farmers would improve.

More turkeys? Turkey production increased 14 percent to a new record high in 1956. The average price received by farmers for live birds dropped to 26.5 cents a pound, the lowest since 1941. In spite of the low prices, farmers at the beginning of this year said that they would increase production another 10 percent.

Earliest hatchings of turkey poults were much larger than last year, but growers seem to have cooled off. Hatchings in March were up only 3 percent from the year before, and hatchings in April probably were up only about the same amount. About half of the turkey crop may have been hatched by the end of April. Hatchings in May and June will tell the story for turkey growers.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914.

III. EE278-5/57-14,475

PERMIT NO. 1247

Timely rains in the Great Plains have about washed out hopes for further reduction of the wheat surplus. A little less wheat may be produced this year than last, but the crop may be equal to expected domestic uses and exports.

The wheat supply for the marketing year beginning last July 1 was at an all-time high of 2,015 million bushels.

Wheat exports are the largest in five years; they will total about 450 million bushels. These large exports are due to a poor crop in northern Europe, the Suez situation and our big export subsidy program. Our use of wheat for food is about normal--480 million bushels. Restricted acreages required only 55 million bushels for seed, and about 60 million are being fed to livestock. These exports and domestic uses would add up to 1,045 million bushels, leaving 990 million for carryover on July 1 compared with 1,034 million last year.

The USDA crop report for May forecasts the winter crop at 703 million bushels, only 4 percent less than last year. The spring wheat crop seems likely to be around 200 million bushels; thus total production may be near 900 million bushels.

Domestic uses during the next marketing year will be almost the same as they were this year. The big change will be in exports, which may decline about one-third. Total disappearance during the year may thus be around 900 million bushels, so the carryover is not likely to decline much.

While there are large excess stocks of wheat, there is still no surplus of soft red winter wheat, though the supply is larger than in recent years. This is the wheat that is generally grown in Illinois south and east of Springfield and in the states east of Illinois. It makes the best flour for cakes, cookies, biscuits, crackers and other chemically leavened products. Carryover of this class of wheat on July 1 is expected to be about 24 million bushels compared with 18 million a year ago and 16 million two years ago.

Most of our surplus stocks consist of the hard wheats, which will total about 880 million bushels on July 1. This total is about the same as last year's.

Only stocks of white wheat are being significantly reduced this year. Carryover stocks on July 1 are expected to be about 70 million bushels compared with 132 million last year. Recent market prices of white wheat were 20 to 40 cents above the price support level. Most other classes were 8 to 12 cents under support levels.

Prices seem to follow a rather definite seasonal pattern when stocks are excessive and marketing quotas are in effect. As harvest time approaches, prices drop 20 to 30 cents a bushel below the support level, causing many producers to put their wheat under price support loans. Later, when the big harvest movement is over, prices recover to near the support level. This halts the movement of wheat into loan and may even cause some farmers to redeem their wheat and sell it.

The national average price support level for the 1957 wheat crop will be \$2.00 a bushel, the same as last year. For the 1958 crop the support level will be \$1.78 if two-thirds of the producers voting in the referendum approve marketing quotas, and no new law or regulation is enacted.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914.

III. EE278-5/57-15,250

PERMIT NO. 1247

Many Illinois farmers are concerned about the delay in planting corn and soybeans. This problem is more local than national, since planting has been delayed much more in some areas than in others.

In the midwest, parts of Illinois and Indiana appear to have suffered most from excessive rains. Parts of the southern plains also were super-saturated. Many other areas, however, suffered from drouth this spring, and the recent rains were more than welcome.

On May 20 corn planting in Illinois was only 20 percent completed compared with a normal of 67 percent. At that date planting was the slowest in 12 years. On the same date Indiana reported field work eight days later than normal. Fields were especially wet in central and eastern Indiana. Wet fields also delayed corn and bean planting in Missouri. Rains in Illinois, Indiana and Missouri during the week ending May 27 further delayed field work.

Corn planting got off to a much better start in Iowa, Minnesota, Wisconsin, South Dakota, Ohio and Michigan. In fact, the early spring was rather dry in Minnesota, Wisconsin, South Dakota and northern Iowa. Oat seeding and other field work made good progress. In Iowa half of the corn was planted by May 12, and over 90 percent of the plowing and seedbed preparation was finished. Further progress has been made since then.

Both Minnesota and South Dakota reported corn planting half done by May 18. Wisconsin, normally later than Minnesota, had some corn coming up by the same date. Michigan was on the wet side, but not so soggy as Illinois and Indiana. Corn planting in Ohio started earlier than last year, and one-third was finished by May 18.

The point is that, while planting has been delayed in many areas, much corn has been planted. Crop failures resulting from excessive rain are rare and are usually limited to small areas. Unfavorable weather does not now have so much price-lifting force as it did before surpluses. The reason is that excess stocks now on hand probably would carry us through two or three successive years of poor corn.

The carryover of corn next October 1 is now officially forecast at 1,450 million bushels, which would be 285 million more than was on hand last October 1. Most of this will be under price support or owned by the CCC. Supplies available for market, however, will be larger than last year--especially in Illinois. Slightly more corn has been placed under loan this year than in 1956, but the increase is not great enough to tighten up market supplies. At mid-April 398 million bushels of new corn had been placed under price support. This amount was 9 percent more than the comparable figure for a year earlier.

About one-fifth of the corn placed under loan this year is at the \$1.25 rate and four-fifths is at the \$1.50 rate. In the previous year all corn placed under price support was at a national average rate of \$1.58 a bushel.

These figures indicate that less compliance corn has been placed under loan this year than a year ago. This probably reflects the poor crop harvested last fall in the western part of the corn belt, where large quantities of corn are often placed under price support.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914.

III. EE278-5/57-15,250

PERMIT NO. 1247

So far this year cattle prices have followed a pattern much like that made a year ago. February was the low month in both years. There has been one big difference, however--so far this year prices have generally been \$2 to \$3 a hundred pounds higher than they were a year ago.

In 1956 the February to May rise was nearly \$3. A similar rise this year makes prices still nearly \$3 higher than they were last year.

Summer rise. In 1956 an unusually strong price advance began about mid-July. By October 1 average prices of choice steers at Chicago had climbed to \$28. The seasonal (spring to fall) price advance was over \$9, or about 50 percent. The usual price increase is only about 15 percent.

Over a period of years, prices of choice steers have averaged higher in September than in any other month. Last year the September average at Chicago was \$27.27, more than \$1 higher than in any other month.

No scarcity this year. Some farmers, remembering the good prices for cattle last August-September-October, will be heading more cattle for market in those months this year. This may cause some bunching of market supplies at that time. The last report of cattle on feed, issued in April, indicated that more cattle were being headed for the summer market than last year. It showed that June might be a big month for marketings, with 23 percent more intended for market than in 1956. About 14 percent more cattle than last year were intended for market after June.

Supplies moderate. While it is apparent that market supplies of fed cattle will not be so small this summer as last, they may not be excessive. Total numbers of cattle on feed April 1 were up only 4 percent from the year before. The number of stocker and feeder cattle received in corn-belt states in April was 2 percent less than one year before. In May, shipments of stocker and feeder cattle from 10 principal markets were down about 10 percent from year-before levels.

(Continued)

The late fall and winter markets in each of the past two years have been disappointing. This may be the year when the winter market will pay off again, as it did in 1954-55.

Prices of steers grading good and commercial have averaged higher in June and July than in any other months. July has the highest average, but prices often break sharply in late July or early August.

L. H. Simerl
Department of Agricultural Economics

Special Invitation

AGRONOMY DAY, THURSDAY, JUNE 27, UNIVERSITY OF ILLINOIS AGRONOMY FARM

"A look at tomorrow through research in crops and soils." Your opportunity to hear and talk directly with the men who are working to improve crops and soils in Illinois.

Tours from 10:00 a.m. to 3:30 p.m. Allow about 3 1/2 hours to see all points.

Cold drinks available at farm. Bring your picnic lunch.

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-6/57-14,475
PERMIT NO. 1247

Uncle Sam, long a big dealer in corn, wheat and cotton, recently become owner of 300 trainloads of soybeans. On June 1 his Commodity Credit Corporation took title to some 40 million bushels of soybeans that farmers had pledged for price support loans.

The 40-odd million bushels of beans owned by the CCC were probably about two-fifths of the total stocks of soybeans on hand June 1. Not all of the beans owned by CCC can be considered surplus. Twenty to 35 million bushels of CCC beans will likely be processed or exported before October 1. The prices at which these beans are sold will largely control market prices until September.

The policy of CCC is to offer these beans for sale during June at the "market price in store but not less than the 1956 basic loan rate for No. 2 grade, basis point of production plus 6 1/2 cents a bushel." In Champaign and other counties where the basic loan rate was \$2.20, the minimum price for CCC beans in June is \$2.26 1/2. Recent bids by dealers to country elevators for beans have been close to this same figure. Thus the market price and the CCC minimum sale price have been about the same.

Local elevator operating costs and handling margins vary considerably but are often around 6 cents a bushel for soybeans. Thus bids of around \$2.20 or \$2.21 to farmers may be in line with the CCC minimum sale price.

Prices of soybean products, oil and meal, are low in relation to prices of soybeans. The oil recently was valued at 11 5/8 cents a pound compared with 14 1/4 cents the year before. About 10 pounds of oil, worth \$1.16 or so, can be obtained from a bushel of beans.

Soybean meal at the mill recently was worth only \$45 a ton compared with \$61 the year before. About 50 pounds of meal, worth around \$1.12, is obtained from a bushel of beans.

Together these product values total only \$2.28. The difference between the value of the products and the cost of soybeans is available to pay operating expenses. Unusually small margins may restrict processing rates during the next few months.

(Continued)

The poultry industry, particularly the rapidly expanding broiler business, has taken increasing amounts of soybean meal in recent years. This market is no longer increasing. Large subsidies on the export of beans, oil and meal have helped to export increasing quantities, but the current economy wave may restrict future export sales.

In past years practically all of one crop of soybeans has been used before the following October 1. Last year, for example, only 4 million bushels of old beans were on hand October 1, and probably at least an equal amount of new beans had already been processed.

This year there will likely be a substantial carry-over, probably 15 to 30 million bushels. While this would be only a small part of the 460-million-bushel crop harvested last fall, it is enough to prevent any shortage of beans at the end of the season.

The 1957 crop of soybeans may be another record breaker. Farmers in March indicated that they would plant 3 to 4 percent more acres than they did last year. Since March, weather conditions seem to have favored an even larger increase in planting, especially in Illinois, Indiana and Missouri.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/57-14,625

PERMIT NO. 1247

Dollar Deterioration Is Major Cause

Prices of farmland rose sharply during the year ending in March. The average price in Illinois went up 8 percent, and the average United States price went up 7 percent. These increases were among the largest on record. Though some gray heads insist that land values are too high, there is as yet no sign that the price rise has ended.

Illinois farmland prices are slightly more than three times as high now as they were in 1940, before World War II. The USDA reported the average value in March at \$260 an acre.

The official averages are often alleged to be inflated by including sales of farmland for non-farm uses. On the other hand, many Illinois farmers who want to buy farmland will wonder how the statisticians got such a low average price for the state.

Biggest reason for the 210 percent increase in land values since 1940 is the deterioration of the dollar. Today's dollar may look the same as that of 1940, but that is an optical illusion. Compared with 1940, today's dollar buys just half as much goods and services for the family. In the factory, a worker will give less than one-third as much work for a dollar as in 1940. The deterioration of the dollar may continue, though there is no assurance that it will do so.

Curiously enough, Illinois land values and factory hourly wage rates have increased by the same amount, 210 percent, since 1940.

Some folk say that farmland at present prices does not or cannot produce a profit. Such statements imply that people who buy farmland either do not expect to make a profit from it or that they do not know enough to invest their money profitably. It is our opinion that neither implication is true for most purchasers of farmland.

It is true that some farms are unprofitable. On the other hand, the earnings of similar farms vary widely in the same community. While some farms lose money, others make good profits. The profits pile up and are often used to buy farmland.

(Continued)

Farm price support programs have helped to boost land values. Many farmers believe that these programs raise farm income, and therefore they have raised their offering prices for farmland.

The latest major farm program, the soil bank, has added some strength to the land market. This added strength has been in the areas where farmer participation has been greatest. These areas include Minnesota and the Dakotas, the southern plains, where drouth has been severe in recent years, and the southeastern states. In general, prices of the less productive land have received more support from the soil bank program than prices of the better land.

If land is now substantially overvalued as a result of farm programs, purchasers may suffer in later years. There is growing public concern about federal spending. There are likewise increasing doubts as to the wisdom of spending some \$4 billion annually for farm price support programs that do not seem to solve any problems. Thus any purchaser of farmland at this time assumes a risk that Congress will trim federal farm programs and that farm income and land values will be restricted accordingly.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/57-14,625

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Prospects for hog prices remain good for another 12 months. Farmers are holding the line on hog production instead of increasing it greatly, as was widely rumored last winter and spring. This fact was revealed by the regular official report on the spring pig crop released late in June.

Market hogs. The number of market hogs over six months old on farms June 1 totaled about 9,900,000 head, 5 percent less than last year. Perhaps half of this decrease may be offset by an increase in pigs farrowed last December and January. Thus the supply available for market this summer appears to be a little smaller than last year.

The spring pig crop. The 1957 spring pig crop, farrowed from December 1 through June, totaled 53,170,000 head. This is practically the same as the number of pigs saved a year ago, and it is 8 percent less than the number saved two years ago, when increased numbers caused prices to take a big dive.

This spring pig crop will supply our nation with pork during the next seven months, or until about February 1. The prospective supply available to each person is much less than it was two years ago, and even less than last year.

Consider the supply side. Whereas farmers saved back less than an average proportion of gilts for breeding in 1955 and an average proportion in 1956, they may save more this fall. This could cut the supply available for slaughter by 1/2 percent or so.

On the consumption side, population is up about 1 2/3 percent from a year ago (and over 3 percent from 1955). Thus it appears that the supply of hogs available for slaughter may be a little smaller in comparison with population than it was a year ago, and considerably smaller than it was two years ago.

Increased average slaughter weight could offset the reduction in numbers from last year, but it certainly cannot bring the pork supply per person to anywhere near that of the fall of 1955.

The prospective supply of meats that compete with pork, and of eggs, is moderating. The supply of beef, which increased about 60 percent from 1951 to 1956, is now decreasing slightly. The supply of broilers, which jumped about 20 percent from 1955 to 1956, is leveling off. Eggs, which were abundant and cheap last fall and winter, are likely to be less so this fall and winter.

Consumer buying power, measured in dollars, is up about 5 percent from a year ago and will probably hold up well at least until the hogs now on farms and "expected" are marketed. And, contrary to much farmer opinion, most families continue to spend more than 25 percent of their incomes for pork and other foods.

The fall pig crop. Looking further ahead to this year's fall pig crop, farmers reported that they would have 2 percent more sows to farrow than they had last year.

It seems likely that the number of pigs saved per litter will be up about 2 percent. Thus present knowledge points to an increase of around 4 percent in the fall pig crop. (For statistical purposes, the fall pig crop includes all pigs farrowed during the six months from June 1 through November.) These pigs will provide most of the pork from about next midwinter to early summer.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/57-14,625

PERMIT NO. 1247

Grain prices were very erratic in June and may continue to swing sharply for several weeks. Main cause of the market instability is uncertainty about the amount and quality of grain that will be harvested this year.

Quality is particularly important in the wheat market, because small changes in the composition of wheat make big differences in the bread, biscuits and cakes that can be made from the flour.

WHEAT PRICE PATTERN. The typical pattern of wheat prices in recent years has been a 20- to 30-cent drop below the support level at harvest time and then a rise to within about 5 cents of the support level. On charts the price of wheat makes a pattern about like the small letter m. A loop is made each year. The support level would be a line just above the top of the loop.

This year wheat prices followed the usual pattern of decline, apparently reaching bottom the third week in June. Then reports of much lower yields than last year, harvesting difficulties and uncertainties about the baking qualities of flour made from some of the new wheat brought a sharp price rise.

The price support level is \$2.30 a bushel at Kansas City, St. Louis and Chicago. The run-up carried prices of both hard and soft wheat 5 to 8 cents a bushel over the support level at Kansas City, but the advance at St. Louis and Chicago lacked 12 to 15 cents of reaching the support price.

SOFT WHEAT. As we have reported before, there is no surplus of soft red winter wheat--the kind grown east and south of a line drawn from Chicago to St. Louis. Illinois, Indiana and Ohio are the three big producers. Many yields in Illinois will be far short of those in 1957. Indiana seems not to have been hurt quite so much. Ohio has good prospects.

(Continued)

HARD WHEAT. Our big surplus is largely in hard red winter wheat. This class of wheat is grown in western Illinois and in Kansas and surrounding areas. Much of that region got twice as much rain as usual this spring, but that made for good yields. The southern edge of the wheat belt got excessive amounts of rain. The much greater than normal rainfall causes the uncertainty about wheat quality. Heavy rains in Kansas and Nebraska late in June caused some crop loss there and were a factor in running up prices.

Rains delayed both maturing and harvest of wheat and tended to put a squeeze on available market supplies. Most of the winter wheats will be in the bag--or rather in the bin--by the end of July.

Hard red spring wheat, which is grown mostly in North Dakota and surrounding areas (and Canada), makes flour similar to that made from hard red winter wheat. The harvest of spring wheat is much later than the harvest of winter wheat. Crop prospects are good in the spring wheat states.

Price support rates for the 1957 crop average \$2.00 a bushel, the same as for the 1956 crop. An average support price of \$1.78 has been announced for the 1958 crop.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blooward

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-7/56-15,950
PERMIT NO. 1247

Cattle feeders soon may be making decisions to buy, or not to buy, the highest priced feeder cattle since 1952. Stocker and feeder steers at 10 leading markets recently sold at around \$20 a hundred pounds, which was nearly \$4 more than a year ago and nearly \$7 more than in mid-1953. We have to go back five years to find so high a price this late in the year.

Prices of few, if any, major farm products have swung so violently as prices of feeder cattle. Before World War II feeder cattle sold for \$7 to \$8 a hundred pounds. In 1951, at the peak of the latest cattle boom, the average was nearly \$33.

Then the beef bubble began to collapse. The average for feeder cattle dropped to \$25.50 in 1952 and then to \$15 by September 1953.

The average price of feeder and stocker steers at Kansas City was \$17.35 in 1953. It recovered to \$18.97 in 1954, slipped a bit to \$18.60 in 1955, and settled back down to \$17.37 last year.

It now appears that this may be the best year for feeder cattle producers since 1952. Most areas have had more rain than in the past four or five years, and the average price of feeder cattle has moved from around \$17 to around \$20 in recent weeks. Of course, calves and the higher quality older cattle sell for considerably above the average price.

The rise in feeder cattle prices was caused by two things: (1) Prices of fed steers have been \$2 to \$4 a hundred pounds higher this year than they were in 1956, and (2) ending of the drouth in the central and southern great plains created a strong demand for cattle for grazing and restocking the ranges.

Average monthly prices of feeder steers (at Kansas City) have been over the \$20 level for a few months in the spring every year since price ceilings were kicked off in 1946--except last year, when the monthly average hung between \$17 and \$18 all year.

Prices of stocker and feeder cattle usually decline 15 to 20 percent from a spring high to a fall low. The lower grades drop more than the higher ones, and older cattle more than calves.

The supply of calves and yearlings this fall will probably be 2 to 3 percent below last year because there were fewer calves and cows on farms January 1.

The corn crop in the western part of the corn belt is more promising than it was a year ago, offsetting much poorer prospects in Indiana and southern Illinois. The next 60 days, however, will be a critical period for corn. Feed crop and pasture conditions may worsen either in the corn belt or in the range areas, or both. Such developments could trim the demand for feeder cattle.

Another possibility is that prices of fat cattle will not make their usual summer-to-fall advance. They may not be so high in August, September and October as they were a year ago. If not, farmers may be less optimistic about buying feeder cattle than they were last year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blooward

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-7/56-14,800
PERMIT NO. 1247

Total crop production this year appears likely to fall about 7 percent under last year's record output. This forecast was made recently by the United States Department of Agriculture.

The total acreage planted to crops was reduced about 3 percent, but crop abandonment will be much less than last year, when extreme drouth blasted the Great Plains. Consequently, the acreage to be harvested this year may equal that harvested in 1956. Lower yields of corn in central and southern Illinois and other oversoaked areas are the biggest factor in trimming over-all production.

In general, crop prospects are unusually good this year with two exceptions: (1) excessive rainfall damaged or destroyed crops over a large fan-shaped area, including central and southern Illinois and nearby areas and spreading out to the south and southwest to Mississippi, Louisiana and northern Texas; and (2) drouth injured crops in a narrow band along the Atlantic coast from North Carolina to Massachusetts.

Although about 28 million acres were signed up for soil bank payments, the total planted acreage has been reduced only 21 million since the program began.

Acreages planted to sorghums and barley were increased substantially. The planted acreage of sorghum was boosted from 21.5 million in 1956 to 27.1 million this year. The acreage of barley was increased from 14.7 million to 16.3 million.

Much of the increase in the acreages of these grains occurred in the Great Plains, where summer fallowing is practiced. Farmers cut their wheat acreage and designated their fallow land for the soil bank. Much of the land taken out of wheat was planted to sorghum and barley. This is another example of the way farm programs have worked to the disadvantage of the feed producer in the Corn Belt.

(Continued)

The acreage of sorghum to be harvested this year is officially estimated at 25.6 million, or 49 percent more than last year. Increases in sorghum acreage by states are: Nebraska, 98 percent; Kansas, 93 percent; and Texas (the leading producer), 27 percent.

The reduced crop production this year will not make a big dent in the surpluses. About 10 percent of the 1956 corn crop is being added to the carryover this year. The official forecast of the 1957 crop is 15 percent smaller than the 1956 crop, but much of this reduction will be offset by greater production of barley, sorghum and oats. Total wheat production appears likely to be nearly equal to the total amount that will be used and exported, making little change in carryover next year. There is as yet no forecast of the 1957 cotton crop. Production may be down from last year's figures, but exports also may be smaller.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bloward

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-7/56-14,800
PERMIT NO. 1247

Market supplies of fed cattle seem likely to be quite abundant in August and September. Supplies in prospect for the remainder of this year may be more moderate--perhaps about the same as last year. These conclusions are based on a study of the USDA report of cattle on feed in 13 major feeding states on July 1.

The number of cattle and calves on feed was estimated at 3,681,000 head. This number was 8 percent more than were being fed a year before.

Most of this increase is headed for market in August and September. Apparently many farmers remember that prices were high and rising during these months last year, and they hope that the pattern will be the same this year.

According to the USDA report, farmers intend to market about 1,880,000 fed cattle in August and September. This number is about one-fourth more than were intended for market in these months a year ago. It is about one-tenth more than were intended for market in this period two years ago.

Actual marketings never follow farmers' reported intentions exactly, but the intentions are the best available indications of future market supplies.

The large numbers of fed cattle headed for August-September markets will probably limit price premiums for finish. On the other hand, prices of the cheaper grades of cattle are expected to be considerably higher than they were last fall. Thus the average level of cattle prices in August and September may be about equal to that of a year before.

Cattle now on feed weigh about the same as those on feed a year ago. Heifers make up 29 percent of the total, compared with 28 percent last year. Steers are down to 67 percent from 68 percent last year. Calves on feed are only 3 percent of the total compared with 4 percent a year ago. (Calves purchased last fall now classify as steers or heifers.) Cows made up less than 1 percent of the total each year.

(Continued)

Farmers are feeding cattle a little longer this year than they did last year. Of the total cattle in feedlots, 29 percent have been on feed more than six months compared with 27 percent a year ago. The proportion on feed less than three months has been reduced to 39 percent from 41 percent last year. The longer feeding period boosts the count in feedlots but does not increase the number available for slaughter.

Price prospects for fed cattle in the October-December quarter remain favorable. If farmers carry out their recent marketing intentions they will move a larger than usual share of their fat cattle before October 1. Then, too, the number of cattle available for feedlot replacements during the July-September quarter will be less than last year. Supplies of competitive meats are not increasing much. And consumer buying power promises to hold up well.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blooward

Free--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-7/56-14,800
PERMIT NO. 1247

Stocks of both corn and soybeans were at new record highs on July 1. The carry-over of corn on October 1, and probably the carry-over of soybeans, will also be at new record highs. Carry-overs of both crops, however, will be considerably smaller than some unofficial forecasts made earlier this year.

Stocks of soybeans on July 1 were estimated by the USDA at 87 million bushels. Last year's total was 64 million and the previous record high was 66 million two years ago.

In each of the past two years, crushings and exports during the July-September quarter were about 71 million bushels, or more than July 1 stocks. The reason for this difference is that large amounts of new beans have been used in September.

Crushings and exports may exceed 71 million bushels in the July-September quarter this year, but they are not likely to exceed July 1 stocks of 87 million bushels.

Fewer soybeans than usual may be available early this fall because excessive rains delayed and damaged the crop in the early harvesting areas. If soybean harvest is delayed, a shortage of beans for crushing might develop before adequate supplies of new beans become available.

While excessive rainfall delayed and damaged the soybean crop in southern Illinois and some other areas, the weather has been more favorable than last year in western Iowa and surrounding regions. Excessive rains seldom do as much total damage as severe drouth.

Farmers planted 21,650,000 acres to soybeans for harvest this year, 3 1/2 percent more than last year. Illinois farmers planted 5,116,000 acres, 8 percent more than last year. Thus larger acreage will offset some of the damage to the planted crop.

Prices of the 1956 soybean crop received considerable support from government export programs. If the crop is smaller this year, export programs may not be pushed so vigorously.

Stocks of corn on July 1 totaled 1,962 million bushels, or 13 percent more than the previous record stocks of the year before. Disappearance in the April-June quarter was 624 million bushels, the greatest in 10 years. Large numbers of livestock and lessened use of other feed grains led to the larger use of corn.

It now appears likely that the carry-over of corn on October 1 may total no more than about 1,350 million bushels. While this figure would be well above the 1,165 million bushels carried over last fall, it would be considerably less than some earlier private forecasts, which ran as high as 1,500 million bushels.

The 1957 corn crop seems likely to be at least 10 percent smaller than the 3,451 million bushels harvested last year. But this smaller crop will be offset, in part at least, by the larger carry-over of old corn and by greater production of other feed grains--oats, sorghum grains and barley. Thus the total supply of feed grains available for the 1957-58 marketing year may be about the same as in 1956-57.

The support level for compliance corn will average \$1.36 a bushel. A price support for non-compliance corn is possible under present law, but it is not expected.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-7/57-14,931
· PERMIT NO. 1247

The official calf crop report for 1957 was released recently. It gives us a better picture of the feeder cattle situation than was available heretofore.

The total number of calves born and to be born this year is estimated at 41.3 million head. This number is 2 percent less than last year, and 3 percent less than the record calf crop 3 years ago.

Of the total calf crop, about 48 percent was from cows and heifers kept for milk, and 52 percent from other cows and heifers.

RANGE STATES. The calf crop in the 17 range states is expected to be about 17.7 million head, compared with 18.4 million head last year. The reduction amounts to about 700,000 head, or 4 percent.

The big reductions are in two states, Texas and Kansas. Texas will have an estimated 3.8 million calves, 8 percent less than last year. Kansas will have 1.4 million, 12 percent less. Most of the other 15 range states will have about the same number of calves as they had last year.

YEARLINGS. On January 1 the 17 range states had about 10.0 million calves, or 6 percent less than one year before. Most of these calves are now yearlings. This number does not include any dairy heifer calves. Again, the greatest reductions were in the southern plains--Texas, Kansas, and Oklahoma--where cuts averaged about 11 percent.

RESTOCKING. Some of the range states cut cattle numbers during the drouth years, and may now rebuild herds. This is particularly true of Kansas and Texas. The number of non-dairy cattle in Texas on January 1 was 6.5 million, down 12 percent from the peak four years before. The number in Kansas was 3.0 million, down 17 percent from the peak two years ago. This rebuilding job is relatively small compared with some of those in the past, as in 1951 and 1952. Furthermore, it is not likely to be done in one year.

The total number of non-dairy cattle on farms and ranches last January 1 is estimated at 60.7 million head. This was only 2 percent less than the all-time high a year before, and 1 percent less than the second highest number two years before.

An addition of two million cattle would bring numbers up to near their all-time high in the 17 range states. This number would be about 10 percent of the calves and yearlings now in those states.

Heavy restocking in the central and southern plains will restrict the supply of stockers and feeders moving out of those areas. On the other hand, other areas of the United States also produce large numbers of beef cattle. Therefore, the holding back of cattle for restocking this one area will not cut deeply into the supply of beef next year.

Farmers in the corn belt stocked up with large numbers of cattle, especially calves, last fall. Some of these cattle are still on hand, so farmers may not need so many cattle as they bought last fall.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-8/57-15,150

PERMIT NO. 1247

DAIRY DAY, SEPTEMBER 5

The sixth annual Dairy Day will be held at the University of Illinois College of Agriculture on Thursday, September 5. Reports of the latest research in the field of dairying and suggestions for practical dairy farm management will be featured. The program will start at 9:00 a.m. (DST) with a tour of the Dairy Barns.

ILLINOIS
FARMERS'
OUTLOOK
LETTER

CROP PROSPECTS IMPROVE

Production of Feed Grains, Soybeans Near 1956 Levels

URBANA,
ILLINOIS
AUGUST 14,
1957

The nation's crop prospects improved considerably in July, and further gains were made in early August. The all-crop production index on August 1 stood at 103, only 3 points below the record of 106 reached last year.

The prospective production of total feed grains is about equal to last year's tonnage. Larger crops of oats, barley, and sorghum grains are offsetting the cut in corn output.

CORN DOWN. The corn crop came along very fast after a late start in many areas. As of August 1 the corn crop was estimated at 3,066 million bushels. This estimate is 2 percent more than the July forecast, but 11 percent below last year, and 2 percent below the 10-year average. Crop and weather reports in the first half of August indicate further improvement in the crop. (Illinois, Indiana, and Missouri suffered the greatest cuts in corn.)

OATS UP. The oats crop is estimated at 1,361 million bushels, 18 percent more than last year, and 3 percent more than average. (Iowa and South Dakota have bumper crops.)

BARLEY WAY UP. Barley production is forecast at 432 million bushels. This is 16 percent more than last year, 48 percent more than average, and would exceed the previous record crop of 429 million bushels produced in 1942. (California, North Dakota, and Montana are the big 3 in barley growing. Soil bank money boosted the acreage of barley.)

(Continued)

UNIVERSITY OF ILLINOIS
LIBRARY

SORGHUM GRAIN WAY, WAY UP. The production of sorghum grain is forecast at 418 million bushels. This output is a new record high, more than double last year's output, and more than 2 1/2 times the 10-year average. (Texas and Kansas are the big 2 in sorghum grain production. Soil bank money paid for increases in the acreage of sorghum grain.)

SOYBEANS. The 1957 soybean crop is forecast at 428 million bushels. This would be the first crop in 4 years not to set a new record. It would be 6 percent less than the official preliminary estimate of the 1956 crop made last December, but that estimate is likely to be scaled down 3 or 4 percent when final figures are set next December. Thus if the 1957 crop improves a little it may well be nearly as large as the 1956 crop. There will be only a few million bushels of old beans on hand by October 1. Thus the total supply of beans for the 1957-58 marketing year may be about the same as in this year 1956-57.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-8/57-15,150
PERMIT NO. 1247

Prices of eggs are likely to rise more than usual this fall, then continue at profitable levels through 1958.

The egg producing business seems to run in a two-year cycle--good, poor year--good year--poor year--etc. Prices have been low during the past 12 months. They seem likely to be much higher in the next 12 months.

Farmers cut down on the purchase of chicks for laying flock replacements last spring. This points to smaller laying flocks, reduced egg production, and higher prices.

Farmers are raising an estimated 394 million young chickens this year, 18 percent less than last. (This figure does not include commercial broiler production. The estimate is based on reports received by the USDA from farmers, crop reporters, and commercial hatcheries.)

All sections of the country are cutting production of chickens for laying flock replacements. The decrease is greatest on farms that had small flocks. Many former small flock owners are raising none this year.

Illinois farmers are reducing egg production more than farmers in most other states. Illinois farmers are raising 28 percent fewer chickens in 1957 than in 1956. This indicates that our farmers may have better alternative uses for their labor than farmers in many other areas. Illinois farmers, who raised 47 million chickens in 1943, are raising only 17 million this year.

If egg prices rise rapidly, farmers will hold over more hens than last year, but not enough more to offset the big cut in pullet numbers.

Egg production will probably drop below year-before levels during the last quarter of this year, and remain below for about 12 months.

(Continued)

By January 1 the nation's laying flock is expected to be 6 to 8 percent smaller than it was a year before. The average rate of lay may increase slightly, but egg production seems likely to fall 4 to 6 percent short of year-before levels. This reduction, plus a small increase in consumer demand, should allow much better prices than those of last winter.

Broilers. Broiler production leveled-off for a few weeks but is increasing again. This will tend to prevent any improvement in prices. Prices may slip again when consumer demand slackens with cooler weather.

Turkeys. Turkey production this year is about 5 percent larger than in 1956. Over 80 million of the big birds are being raised this year. Storage stocks of turkey on June 1 of 91 million pounds, compared with 41 million a year before. The holiday birds will be available to consumers at attractive prices before Thanksgiving and Christmas, but prices paid to farmers may rise slightly by December.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-8/57-15,150
PERMIT NO. 1247

The 1957 lamb crop totaled 19,800,000 head, 3 percent less than the number raised last year. This year's lamb crop is about equal to the ten-year, 1946-55, average.

Over half of the reduction in the lamb crop occurred in Texas, where drouth last year forced reductions in breeding flocks. The Texas lamb crop is estimated at 3,238,000 head, 11 percent below a year earlier. Altogether the 11 western states are raising 12,100,000 lambs, 5 percent fewer than in 1956.

The 35 native states are raising an estimated 7,697,000 lambs this year, 1 percent more than last year and the largest number since 1946.

Two features of the lamb situation are worth special note:

1. A larger than usual proportion of the western lambs may be ready for slaughter when coming off the ranges. This would tend to hold down prices of slaughter lambs this fall. It would also reduce the supply of feeder lambs.

2. Texas and other former drouth areas may provide a strong demand for ewe lambs for flock replacements. This too will restrict the supply of feeder lambs.

The situation seems to add up to a small supply and high prices for feeder lambs this fall. This may be followed by a greater than normal seasonal price advance from fall to spring.

Wool. The nation's 1957 production of shorn wool is estimated at 226 million pounds. This is 3 percent less than last year and 4 percent less than the ten-year average.

Recent prices of wool were 12 to 14 cents a pound higher than those of a year earlier. The higher prices will reduce the cost of the wool program to the U. S. Treasury, but it will not increase

(Continued)

farmers' incomes. Wool payments to farmers will be reduced, according to law, to keep total returns to farmers the same as in 1956.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-8/57-15,150

PERMIT NO. 1247

As the result of a statement quoted in a metropolitan newspaper, we have received a number of inquiries as to how farmers could use the futures markets to their advantage.

To buy or sell a "futures," a person contracts to receive delivery of or to deliver a specified amount of a commodity of a grade stated to be deliverable by the commodity exchange, such as the Chicago Board of Trade, during a specified month. The seller has the option of deciding on what day of the month he will make delivery. The contract can be canceled at any time by taking the opposite position in the futures market.

As an example of use of this device, a farmer may decide today that the December futures on corn at \$1.28, which may be equivalent to \$1.13 at the local elevator, is as high as he can expect when he wishes to sell his new-crop corn. He goes to a local grain broker and tells him to sell 1,000 bushels (or more) of December corn. It is sold at \$1.28. The farmer may deliver the corn to the local elevator any time prior to about December 22, receive cash for his corn, and cancel his futures contract by having the broker buy 1,000 bushels (or more) of December corn. The farmer expected to get \$1.13 for his cash corn. What happened?

If cash corn is \$1.00 at the local elevator when he sells, the futures would be about \$1.15 in this example. He would receive \$1.00 for his cash corn and gain \$.13 on his futures transaction. He sold futures at \$1.28 and bought them back at \$1.15. If he sold his cash corn at \$1.25, the futures would be about \$1.40. He received \$1.25 but lost \$.12 on the futures (sold at \$1.28, bought at \$1.40). He netted \$1.13. He also had to pay \$5.00 to the broker as a fee for the 1,000 bushels and had to keep cash with the broker equal to about 6 cents a bushel to protect the broker. This is called margin.

(Continued)

Few farmers use the futures market directly. More contract with the local elevator to deliver the grain in a specified month at a specified price. In that case the elevator operator probably sells an equal amount in the futures market. Otherwise the elevator operator would be speculating.

Perfect price forecasting is impossible. One has to have complete and accurate information relating to both future demand and supply. Available information is neither complete nor accurate. Then it would require perfect interpretation of the information. That would require much training and experience. However, to the extent that individual farmers or their economic advisers obtain the information and judgment, the futures market will offer an opportunity to take advantage of coming circumstances before they arrive and before others recognize the shadow that they cast before them.

G. L. Jordan
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-8/57-15,150

PERMIT NO. 1247

The government support program will continue to lend stability to milk prices in the next few months. Present support levels of \$3.25 (83 percent of parity) per hundred pounds for manufacturing milk of 3.95 percent butterfat, and 58.6 cents (80 percent of parity) per pound of butterfat will be in effect at least through April 1, 1958. In Illinois markets, however, blend prices to fluid milk producers may be somewhat lower than in the preceding 12 months because of the large surpluses in the market pools.

Continued increased milk production is responsible for these surpluses. In 1956 an all-time high of 125.7 billion pounds was produced in the United States. However, the first half of 1957 showed a production gain of but one percent over 1956, and most of this increase went to fluid milk outlets. The increased production is made possible by a record rate of milk output per cow. The 23 million milk cows in the nation, smallest number since 1929, are averaging over 6,000 pounds of milk annually (6,700 in Illinois), up 35 percent from 1929. Favorable pasture conditions and supplies of feed concentrates have contributed to the high rate this year. The milk-feed price ratio will continue favorable.

Increased milk production is being taken care of largely by the increased population. The present United States population, in excess of 171 million people, is growing by 3 million a year. Changes in consumption trends of the individual dairy products are very slight. Per capita consumption of dairy products in 1956 was 699 pounds, of which 355 pounds was fluid milk and cream.

The gap between total milk production and total milk consumption continues to necessitate government purchases of dairy products at the support levels. In 1956 over 5 billion pounds milkequivalent of butter, Cheddar cheese, and non-fat dry milk solids were taken over by the CCC. At the present time, government purchases are running slightly above last year.

The trend toward fewer and larger dairy farms will continue. Dairymen must continue to decide whether to make the necessary expenditures for a full-scale dairy enterprise or get out completely. Since January 1954, 3,700 producers in the Chicago market have answered this question by getting out.

R. E. Jacobson
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bloward

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-9/57-15,350
PERMIT NO. 1247

Illinois farmers haven't got it this year, but most farmers in other states have. Total U. S. crop production is officially estimated at 105 percent of the 1947-49 average. Highest production on record is 106, set in 1948 and equaled in 1955 and again in 1956.

The Illinois corn crop is estimated at 472 million bushels, 21 percent less than last year. Our state soybean crop is forecast at 120 million bushels, down 11 percent. Our wheat was estimated at 35 million bushels, off 40 percent. The Illinois oat crop was set at 105 million bushels, down 27 percent.

Most other important crop-producing states show better crops this year than in 1956. Iowa and Nebraska have much better corn crops than they had last year. Texas, Kansas and Nebraska have supercolossal crops of sorghum grain. Iowa, South Dakota and Nebraska had exceptional crops of oats. Barley production is upsharply in the Northern and Pacific Coast states. Production of soybeans has increased more than enough in Iowa to offset the cut in Illinois.

The 1957 U. S. corn crop is estimated at 3.2 billion bushels, 7 percent less than last year. All other feed crops, however, are greater than last year.

Oat production is estimated at 1 1/3 billion bushels, 16 percent more than in 1956. Output of barley is figured at 430 million bushels, also up 16 percent. The outpouring of sorghum grains is expected to total around 480 million bushels, or nearly double the previous record crop produced two years ago.

Total production of the four feed grains is figured at about 135 million tons, 4 percent greater than last year. This production, together with a record carry-over of old corn, seems to assure relatively low feed prices for at least another year.

(Continued)

The soybean crop is forecast at 459 million bushels. This is about 1 percent more than the official estimate of the record 1956 crop made last December. We think, however, that the final official estimates of that 1956 crop, to be released in December, will be 3 to 5 percent smaller than the preliminary estimate made last December. Thus the present forecast of the 1957 soybean crop may be about 5 percent larger than actual production last year.

While actual production of soybeans may be at a new record high this year, the increase over the previous year may be the smallest since 1953.

The drouth in the southern Great Plains, reportedly broken last spring, was only bent. Rainfall over most of Texas during June, July and August was 25 to 50 percent below normal. Rains early in September brought temporary relief. Late summer drouth also cut pasture growth in Missouri, Kansas, Oklahoma and eastern Colorado and New Mexico.

Worst drouth this summer was in the East, where severe and extreme drouth prevailed over an area about three times as large as Illinois. The eastern drouth covered important dairy areas. Shortages of feed in those areas will increase their demand for feed from the Corn Belt.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-9-57-15,150
PERMIT NO. 1247

Prices of hogs will remain favorable for at least another 12 months. This expectation is based on a study of the U. S. Department of Agriculture quarterly pig crop report recently released in Washington.

The over-all picture looks like this . . . Market supplies will be about the same during the rest of this year as they were last year. In the first three quarters of 1958, they will be 5 to 7 percent larger than in the corresponding months of this year.

Prices seem likely to average a little higher this fall than they did a year ago, but they will be a little lower in the first three quarters of 1958 than they have been this year. The seasonal low this fall seems likely to be in December--later than last year. The high next summer may be in June rather than in August, as happened this year.

FACTS AND FIGURES . . . Farmers in nine leading hog-producing states had 3 percent fewer hogs over six months old on September 1 than they had a year ago. They had 1 percent more hogs three to six months old than they had the year before. Thus the supply available for market during the rest of this year will be about the same as it was a year ago.

FALL PIGS . . . On September 1 farmers had 4 percent more pigs less than three months old than they had a year ago. These pigs, farrowed in June, July, and August, are counted as part of the fall pig crop. They will make up most of the market supply from January through April.

Farmers in ten leading hog-producing states planned to have 4 percent more sows farrow in September, October, and November this year than they had last year. The average number of pigs saved per litter may be slightly larger than last year, though such increases are more common when hog production is declining. In addition, there may be increases of more than 4 percent in

(Continued)

other states, although all the other states produce less than 30 percent of the nation's pork. Nevertheless, it appears that the increase in the fall pig crop will be moderate--probably not more than 5 or 6 percent.

THE 1958 SPRING PIG CROP . . . According to the USDA, farmers plan to have 7 percent more sows farrow in December, January, and February than they had a year earlier. The bulk of the spring pig crop will be farrowed in March and April, but the percentage of increase for these months is not likely to differ much from that earlier in the season.

OFFSETTING FACTORS . . . Part of the prospective increase in pork production will be offset by an increase of nearly 2 percent in population and probably an even greater increase in consumer income. In addition, the supply of beef is expected to be a little smaller than it has been in the past 12 months.

1958-1959? . . . While hog prices seem likely to be a little lower in 1958 than they have been this year, they may well be high enough to encourage a greater output in 1959.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-9/57-15,350
PERMIT NO. 1247

The corn and soybean crops developed and matured well despite a late start. Harvest is occurring simultaneously over much greater than usual areas. These developments have put strong pressure on market prices in recent weeks.

The soybean crop is a record-breaker for the fourth consecutive year. On the other hand, the crop this year apparently exceeds that of the previous year by a smaller amount than any of the three preceding crops.

The present crop was estimated by the USDA in September at 459 million bushels. Later estimates are expected to show that it will be around 20 million bushels larger than that of last year. The three previous crops averaged about 60 million bushels more than the crop before. If the market for soybeans continues to expand as it has in recent years, it should not be difficult to dispose of this year's crop.

Prices offered recently for soybeans were about equal to the price support level minus costs of storage. Prices seem likely to rise above this floor sometime during the marketing year.

The national average support level for the 1957 crop is \$2.09 a bushel compared with \$2.15 for the 1956 crop.

Last year the national average market price received by farmers was \$2.07 in October. Later monthly averages ranged from \$2.18 to \$2.31. Prices for the 1956 crop received a strong boost when the Suez Canal was blocked.

EXPORTS IMPORTANT. Exports are a very important factor in the market for soybeans. Around 85 million bushels, or nearly one-fifth, of last year's crop were exported. Most of the export beans were sold in Japan, Netherlands, West Germany and Canada.

(Continued)

Most of the exported beans were shipped under export subsidies provided by Public Law 480. Thus the export market for our soybeans now depends to a considerable extent upon government aid.

The foreign demand for soybeans will depend considerably upon the production of competing oilseeds in foreign countries. Reliable estimates of foreign production will not be available until about December.

The carryover of old soybeans is again inconsequential--only a few million bushels.

There are a number of possible soybean price-lifting factors: The cottonseed crop may be a little smaller than last year. U. S. and Canadian production of flax seed is down from 1956 levels. Increasing hog production may boost the demand for soybean meal. Broiler production, which uses large amounts of soybean meal, continues to increase.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blooward

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-10/57-15,350

PERMIT NO. 1247

Corn harvest is in full swing. The crop is not so big as that of last year, but supplies of other feed grains and old corn are larger. Prices for this year's corn crop seem likely to average about 10 cents a bushel lower than prices of last year's crop. The monthly average Illinois farm price of the 1956 crop ranged from \$1.16 in February to \$1.23 in December. The December high coincided with the general run-up in commodity prices at the time the Suez Canal was blocked.

Carry-over of old corn is around 1,400 million bushels compared with 1,165 million a year ago. The new crop is expected to exceed 3,200 million. This total exceeds the 10-year average of 3,144 million bushels, though it is less than last year's crop of around 3,450 million.

The oat and barley crops each are around 16 percent larger than last year. Production of sorghum grain will be near 500 million bushels, over twice as much as last year's crop and three times the 10-year average.

The supply of feed grains in millions of tons for this marketing year is as follows (figures for last year are in parentheses):

Carry-over	48	(43)
Corn	90	(97)
Oats	21	(18)
Barley	10	(9)
Sorghum	<u>14</u>	<u>(6)</u>
Total	183	(173)

The carry-over consists largely of corn owned by the government (CCC). The CCC sold over 300 million bushels of corn during the year ended September 30 and is expected to sell as much or more during this marketing year.

(Continued)

The supply of feed grains in sight exceeds prospective use and exports by around 5 million tons. Thus the carry-over next fall may be near 48 million tons, up about 10 percent over the 1957 level.

While Congress cannot set the price of corn by legislation, prices are influenced by price-support programs, at least in the short run. Farmers put large quantities of eligible corn under price support when the market price drops more than about 10 cents a bushel under the support level. The general price support level is \$1.10 a bushel compared with \$1.25 last year.

The support rate for compliance corn averages \$1.40 compared with \$1.50 last year. While a smaller proportion of farmers may be eligible for the higher loan rate this year, more corn may be placed under loan. The reason is that production is much greater this year in the western part of the corn belt, where farmers usually put large amounts under loan. Last year many farmers in the best corn areas of Iowa and Nebraska had very poor corn crops--and some had complete failures.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-10/57-15,350

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Corn and soybean crops are much larger than seemed possible last summer. These large crops will bear heavily on market prices during this marketing year.

Corn. The USDA estimates the 1957 corn crop at 3,305 million bushels--down 4 percent from last year but otherwise the largest crop in nine years. Estimated average per acre yield is 45.7 bushels, a shade above the previous record (45.4 bushels) set last year.

The Illinois corn crop is figured at 497 million bushels, 17 percent less than last year. Indiana, Missouri and Ohio also have smaller corn crops than they had a year ago.

The corn crop in the western part of the corn belt is much larger than last year. Iowa has 618 million bushels, up 18 percent; and Nebraska, 215 million bushels, nearly double her 1956 crop.

The corn surplus will not change much in the coming year. In the year ending September 30 about 3,200 million bushels of corn were used and exported. Farmers will feed more hogs this year, but they will also use more other feed grains in place of corn. Exports, which took about 160 million bushels last year, may take about the same amount this year. Thus the carry-over of old corn next fall may be at least equal to the approximately 1,400 million bushels on hand on October 1 of this year.

Government activities will not be a dominant factor in setting the general level of prices this year. Price support loans will tend to support market prices, but this will be largely offset by CCC sales of old corn that is no longer storable. CCC loan and sale activities will have some bearing on the seasonal pattern of price changes.

Price support levels will average \$1.10 and \$1.40 a bushel this year compared with \$1.25 and \$1.50 last year. Market prices of the 1957 crop seem likely to average 10 to 15 cents lower than the 1956 crop. The season's range in prices, which was quite small for the 1956 crop, may be a little larger this year.

(Continued)

Soybeans. The soybean crop is now estimated at 487 million bushels, or 7 percent greater than last year's record crop. The 1957 soybean crop is the fourth consecutive record-breaking crop. Production has increased 60 percent in these four years.

The 1956 crop was officially estimated at 456 million bushels last December. A revised official estimate will be made and released this coming December. It is expected to be around 440 million bushels. Thus the 1957 crop may be more than 7 percent larger than that actually harvested last year.

Carry-over of old soybeans was only about 2 percent of the old crop. Thus the new crop makes up virtually the entire supply, as is usual. The supply of cottonseed, which competes with soybeans, is about 5 percent smaller than last year.

Soybean exports during the past marketing year totaled around 85 million bushels. Oil from an additional 75 to 80 million bushels was also sold to foreign buyers. Exports of beans and oil combined represented about two-fifths of the beans sold by farmers. No great change in the export market is expected this year.

Three factors tend to make average prices lower than last year: (1) the crop is larger, (2) the price support level is lower, and (3) there may be no international development such as the blockade of the Suez Canal to lift prices. Farmers, however, may put enough beans in storage and under price support to bring a moderate price increase.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-10/57-15,175

PERMIT NO. 1247

The market supply of fed cattle in prospect for the next 60 days is substantially less than that of a year ago. This is the most important fact shown in the USDA report of cattle on feed October 1.

Farmers in 13 states indicated that they would market 736,000 head of fed cattle in November. This would be 16 percent less than the number indicated for market in November a year ago.

Farmers had 692,000 cattle headed for market in December, 12 percent less than last year.

The smaller supplies in prospect for market this year should provide strong resistance to price declines in the next two months.

The total number of cattle on feed October 1 was estimated at 3,222,000 head. This is 11 percent less than the number being fed a year earlier. Most of this decrease in numbers on feed apparently will be reflected in reduced marketings in November and December.

CORN BELT. In the nine Corn Belt states, farmers were feeding 2,370,000 head of cattle, 9 percent less than a year before. Illinois farmers were feeding 7 percent less, Iowa 4 percent less and Nebraska 9 percent less.

California, the second ranking cattle-feeding state, is feeding 12 percent less cattle than last year. (Iowa is the leading state; Illinois and Nebraska are practically tied for third place.)

KINDS AND WEIGHTS. The reduction in numbers of cattle on feed is well distributed through all classes--steers, heifers and calves.

The reduction likewise is distributed through all weight groups. Numbers of cattle weighing over 900 pounds, however, have not been reduced so much as other weights. Numbers of light cattle--those weighing under 600 pounds--show the largest percentage reduction.

The number of cattle placed on feed July 1 to September 30 is estimated at 1,867,000 head. This is 22 percent less than one year before.

(Continued)

The reduction in total market supplies of beef may not be nearly so great as the reduction in cattle being fed.

OTHER FACTS. Some facts not shown in the report of cattle on feed October 1 should be noted in connection with it:

1. Because of good grazing conditions, cattle are being kept on ranges and pastures later than usual this year. Thus more cattle may be put into feedlots after October 1 than were put in last year.

2. More cattle may be sold for slaughter off grass during the next few weeks than were so sold the year before.

DEMAND. Uncertainty about business prospects seems to be dulling the demand for top-grade fat cattle. Patronage of some of the fancy eating places is reported to be down from boom levels. Prices of the lower grades of cattle are holding up very well for this time of year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Blooward

Director

Penalty for Private Use to Avoid
Payment of Postage \$300

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914.
III. EE278-10/57-15,175
PERMIT NO. 1247

Prices of fed cattle ranged from \$2 to \$3 higher during the first seven months of this year than last year. But prices of Choice and Prime steers did not rise to the extreme heights in September and October that they reached a year ago. Recent prices of lower grades of cattle, however, have been \$1 to \$3 higher than those of last year.

Beef production has leveled off this year and is expected to decline slightly in 1958. Our population continues to increase nearly 2 percent a year. Production of pork, which competes with beef, is increasing, but market supplies will continue relatively light at least until about next October. If consumer buying power holds up, fed cattle should average a dollar or so more per hundred pounds in the next 12 months than they did this past year.

Cattle on Feed. Farmers in 13 states were feeding 11 percent fewer cattle on October 1 this year than last. The 2,222 head in feedlots was the smallest number for the date in three years. Much of this reduction in numbers on feed will apparently be reflected in reduced marketings of fed cattle in the next 60 days. Farmers reported that they intended to move 16 percent fewer cattle to market in November than last year, and 12 percent less in December. The smaller supplies should provide strong resistance to seasonal price declines in the next two months.

Cattle Cycle. The cycle in cattle numbers appears to be definitely in the decreasing phase. Numbers climbed 25 percent in the eight years ended January 1, 1956. But in the nearly two years since that date, they apparently have declined about 4 percent.

Some rebuilding of herds depleted by drouth is going on in the southern great plains. However, many ranchers in this section are not financially able to rebuild rapidly. In most other areas there was no depletion and thus no need for rebuilding.

(Continued)

The nation's calf crop has been declining for three years. The 1957 crop has been estimated at 42.3 million head, 2 percent smaller than last year, and 3 percent below the record set four years ago. While the calf crop has declined 3 percent in the three years, our human population has increased 5 percent. Thus the 1957 calf crop is 8 percent smaller in proportion to our population than it was four years ago. The smaller calf crops point to correspondingly smaller supplies of beef and to relatively higher prices for cattle over the next few years.

Demand for Beef. Consumer demand for high Choice and Prime beef seems to be less strong this fall than a year ago. This change reflects the uncertain business outlook and a more cautious spending policy on the part of the high-income group. The next trend in the demand for highly finished beef is quite uncertain at this time.

Demand for other grades of beef remains very strong. Some workers have been laid off in recent weeks, but this is a normal situation even during periods of high-level prosperity. Employment was sustained at a high level in 1956 and 1957 by increasing expenditures by governments and by business. Such outlays seem to be about to be cut back. Recently family spending has increased, and this increase may furnish enough buying power to keep employment up in 1958.

Judging from past history, the seasons in which cattle prices are most likely to be good are as follows: Cows and Utility steers, March to June; Commercial and Good steers and heifers, May to July; Choice steers and heifers, July to October; and Prime steers, September to January.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bloward

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-10/57-15,175
PERMIT NO. 1247

Range May Be 10 to 15 Cents Lower Than Last Year

Corn was recently about 10 cents a bushel lower than last year. Larger discounts for moisture further reduced actual returns to farmers. Prices may rise moderately after harvest, but they seem likely to continue to range 10 to 15 cents below those of a year ago.

The price pattern for the 1956 crop was rather unusual, probably because of the Suez crisis. Prices at harvest time were around \$1.10 a bushel. They went up a dime in November and reached their peak in December, when some farmers sold for more than \$1.25. February brought a 10-cent break, which was followed by a slow recovery into August.

Sputniks, or other international developments, may help to boost corn prices again, but probably not to the highs reached by the 1956 crop. While the present crop is smaller than that of last year, other factors will tend to hold prices down. Supplies of old corn and other feed grains are larger than they were a year ago, and price support levels for corn are lower.

The 1957 corn crop was estimated in October at 3,305 million bushels, 4 percent less than last year. The amount to be harvested for grain was estimated at 2,955 million bushels. This exceeds the amount used and exported last year by 64 million bushels, or 2 percent.

Stocks of oats on farms October 1 were estimated at 1,079 million bushels, 17 percent more than last year. Farm stocks of barley totaled 272 million bushels, 20 percent more than last year and a new record high. The sorghum grain crop is estimated at 514 million bushels, 2 1/2 times last year's production and 3 times the 10-year average. Both barley and sorghum grain are produced mostly in the west.

The corn and sorghum grain crops plus stocks of oats and barley on farms October 1 make 119 million tons of feed grains, 7 percent more than last year. By contrast, the number of grain-consuming animals is expected to increase no more than 2 percent. The supply of hay is also larger than last year; 1957 production is estimated at 121 million tons, up 10 percent from 1956.

(Continued)

Price support levels for corn are 10 and 15 cents a bushel lower than last year. The national average support level for corn produced under acreage allotments is \$1.40 a bushel compared with \$1.50 last year. Price support for non-compliance corn is \$1.10 compared with \$1.25 last year. While fewer farmers complied with acreage allotments this year than in 1956, more corn might be placed under the higher loan. The reason is the much greater production in western Iowa and in Nebraska, where large amounts have been placed under price support in many previous years. Most of the corn eligible for the higher price support will probably be placed under that loan. Little will be placed under the lower loan unless the market price is 5 to 10 cents below this loan level.

Sales of old corn from government stocks will be an important price-making factor again this year. In the year ended with September, 316 million bushels were sold, and a similar amount may be sold this year. Government stocks must now be near 1,200 million bushels, 200 million more than a year ago. Some of this corn is four years old. Some 1956 corn may have to be sold on account of its high moisture. Market supplies may also be increased this year by sales of new corn that is too wet to qualify for price support.

* * * * *

CORRECTIONS. Friends have called attention to the need for correction of two errors in recent letters: (1) Soybean oil (not soybeans) has been exported under P. L. 480. (2) The number of cattle on feed in the 13 major feeding states was 3,222,000 (not 2,222,000).

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blooward

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-11/57-15,175
PERMIT NO. 1247

Some farmers are becoming concerned about the business situation and outlook. We will try to answer some of the questions they have asked about what is ahead.

Cattle feeders and hog producers would be among the first farmers to suffer from any widespread unemployment in industry. If extensive unemployment were to continue for more than a few months, all farmers would take a big cut in income.

The changes in economic activity may be likened unto the rise and fall of a great river. The flow of the river depends upon the combined flows of its various branches, and these in turn depend upon changing weather conditions in the area drained by each branch or stream.

The level of economic activity depends upon human decisions to spend money. This spending consists of three major branches or streams: (1) personal spending, (2) spending by governments, and (3) business investment spending. Let's take a look at the flow in each of these streams and at the economic weather in each area.

Personal spending is by far the greatest of the three streams. It makes up roughly 70 percent of all final purchases of commodities and services. It includes all spending for personal use or consumption, such as for food, clothing, housing, personal automobiles, medical care, entertainment, etc. The annual rate is now around 300 billion dollars, up about 4 percent from a year ago. At least part of this increase, however, reflects higher prices rather than greater volume.

To buy all of this stuff, some consumers have gone further into debt. Total outstanding consumer credit has reached 43 billion dollars, up about 8 percent in a year. Other consumers, however, have increased their savings so that they can increase their spending if they want to do so.

Retail sales have increased substantially in recent months, but the big question is how much consumers will spend in the next year. Will they be cautious and cut their buying? Or will they gain confidence and spend freely, even going further into debt to get the things they want?

(Continued)

Spending by governments recently rose to an annual rate of over 88 billion dollars, 10 per-cent more than one year ago. State and local units increased their outlays about 8 percent, and further increases will occur in the coming year. There was much talk last spring about cutting fed-eral spending, but recent international developments now point to greater, not less, expenditures by Uncle Sam. Thus increasing spending by our various governmental units will tend to support economic activity in the year ahead.

Spending by business has been a big factor in maintaining high employment in recent years. Business spending for new construction and equipment this year will total a record high of 48 billion dollars. The key question is whether business will continue to spend at this high level .

The productive capacity of our factories has been greatly increased since World War II. Now sales of many industrial products are not keeping up with production. Stockpiles of these products are accumulating; and while inventory stocks are not yet excessive, a substantial number of workers have been laid off.

This situation is causing business to cut its plans to spend for new plants and equipment. This could cause more unemployment and cause consumers to cut their spending. That in turn would bring on still more unemployment, etc.

That is the picture, the dark and the bright. It is not all dark or all bright. The clouds over the international area may precipitate enough spending to keep national production and income in 1958 about at recent record levels.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Bloward

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-11/57-15,175
PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

We are writing this letter from Washington, where we are attending the National Agricultural Outlook Conference. The United States Department of Agriculture holds this conference once a year for extension specialists from the state colleges.

On the first day the talks centered on the outlook for business, which determines the demand for farm products. These discussions were very good--the best we have heard for a long time. They brought out very clearly the different views of leading economists.

The official view of the USDA and other government agencies seems to be that business activity will be about the same in 1958 as in 1957. This view was presented by Nathan M. Koffsky, a top economist in the Department of Agriculture. He said that private investment--spending for new plants and equipment--would decline a little in 1958, but that it would be offset by more spending by state and local governments and by consumers.

Similar views were expressed by two other government economists--James W. Knowles of the staff of the Joint Economic Committee of Congress and Louis J. Paradiso of the Department of Commerce.

Two non-government economists were less optimistic about business in 1958. These men were Gerhard Colm of the National Planning Association and V Lewis Bassie of the University of Illinois. They expressed the belief that business activity could not hold at its recent level because industrial production is now exceeding sales, and that consequently there would be a cutback in factory production, employment and consumer incomes.

Their views received at least temporary support in the revelation that personal income dropped one billion dollars from September to October, and that industrial production in October was 2 percent smaller than it had been the year before.

(Continued)

Bassie believes that the slow-down in business will continue through both 1958 and 1959. He thinks the recession will be more serious than any since World War II, but not so severe as that of the 1930's.

Colm believes that the government will act to check the recession before it runs very far into 1958. He expects a recovery to begin sometime after the middle of next year.

Knowles, the Congressional economist, said that quick action by Congress might make 1958 an even better year for business than 1957.

One important difference of opinion concerned the number of new houses that would be built and sold in 1958. The number of new homes built has decreased for about two years, but increased slightly this fall. The government economists said that this rise was the beginning of a new housing boom. Bassie thinks it a temporary interruption of the decline, and holds that fewer houses will be built in 1958 than in 1957. Construction as a whole now furnishes employment for perhaps three million workers.

The prospective foreign demand for United States farm and industrial products was discussed by several experts in that field. They agreed that foreign demand for our products would not be so great next year as it has been this year. They pointed out that the Suez crisis and poor crops in Europe had helped to boost exports to unusually high levels in the past year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-11/57-15,175
PERMIT NO. 1247

The feed grain situation is pretty well mixed up this year. The general conditions have been known for some time, but additional details were brought out at the National Agricultural Outlook Conference held recently in Washington.

Four features stand out: (1) The supply of feed grains is considerably greater than the record supply of a year ago. (2) Much of the corn and sorghum grain is so wet that harvesting and storage are difficult. (3) The price support level is lower than in any other year since World War II. (4) The price-support production-control program seems to be breaking down.

The total supply of feed grains--corn, oats, barley and sorghum grain--is estimated at 187 million tons, or 44 percent more than will be used and exported in the present marketing year. Carry-over of feed grains, made up mostly of corn, is expected to swell from 47 million tons this fall to 57 million tons next fall.

The 1957 corn crop is estimated at 3,333 million bushels, 3 percent less than last year, but about 100 million bushels more than will be used and exported. Thus, the carry-over of old corn, which was 1,357 million bushels on October 1, may be around 1,450 million next fall.

The government (CCC) owns about 90 percent of the old corn. Such large stocks virtually dictate continued heavy sales by CCC for both export and domestic use. Large sales will be urged especially by the influential East, where drouth was severe last summer.

Much of the corn east of the Mississippi river is wet, primarily because it was planted late. West of the river, both corn and sorghum grain are wet because of excessive rain and snow this fall. Muddy fields delayed harvest, and field losses were severe in some areas. Some sales of corn have been reported at prices as low as 35 cents a bushel because of moisture discounts.

Substantial amounts of corn will not be eligible for price support loans because of excessive moisture. An even larger share of the sorghum grain may be too wet to qualify for price

support. This is highly important because in recent years growers of sorghum grain have sold more than half of their production to the government through price support loans. Thus it appears that supplies of wet and low quality corn and sorghum grain will be abundant and cheap this winter and next spring.

The price support level for corn produced under acreage allotment is \$1.40 this year compared with \$1.50 a year ago. The support for non-compliance corn is \$1.10 compared with \$1.25 last year. Fewer farmers complied with their acreage allotments this year than last.

The price support program for corn is foundering. Stock accumulations are far in excess of expectations, and they will increase further unless weather losses are very heavy. Corn acreage allotments have shrunk to about half of normal acreages, and they will be still smaller in 1958 unless the law is changed. Thus relatively few farmers can profitably comply with their corn allotments. Substitutes for corn are being developed and produced at a very rapid rate.

The demand side of the corn market is no stronger than it was a year ago. Since supplies are much heavier, any major price advance seems to depend on the appearance of some new factor in the market, such as further inflation, some international development or severe drouth next summer. Market supplies of good naturally dried corn in farmers' hands are not excessive.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Blooward

Director

FREE--Cooperative Agricultural Extension
Work, Acts of May 8 and June 30, 1914
III. EE278-11/57-15,175
PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

The demand for farm products seems likely to expand less in 1958 than in most of the past 20 years. It may even shrink moderately. The business boom has been losing steam for several months. Manufacturer's new orders have declined about 10 percent in the past year. The same is true of unfilled orders. In October the output of mines and factories was 2 1/2 percent less than in October of last year. Factory payrolls were down 4 percent. Businessmen plan to cut spending for new plants and equipment by about 7 percent in 1958.

The major strong spots in the economy are home construction and spending by state and local governments. Government spending will increase, but the upturn in housing may not hold. Congress may authorize substantial increases in federal spending, but this money will not get into consumers' pocketbooks for several months. Hope for early recovery depends upon more spending by consumers for automobiles, appliances, furniture, clothing, etc.

Livestock. Hog producers and cattle feeders have had two good years. Prospects for 1958 are less favorable. Meat supplies, which declined from a record high of 166 pounds per person in 1956 to about 159 pounds in 1957, may decline little or not at all in 1958.

Corn-belt farmers bought 3 percent more feeder cattle in September and October this year than the year before. Many of these cattle will be fed on wet grain this winter and sold in the spring; add other cattle to be marketed off wheat pastures and sorghum fields. These prospects for abundant supplies plus declining consumer demand do not add up to high prices next spring.

Hog prices have been around \$17 most of the time for about 20 months. Seasonal decline in supplies should hold prices near or above this level until about mid-year. After that time prices will come under pressure of both seasonal and cyclical increases in supplies. Even so, hog production will be profitable.

(Continued)

Feed grains. The supply of corn and other feed grains is at a new record high--about 4 percent more than will be used and exported. Much of the corn and sorghum grain was too wet to harvest and store normally. The high moisture will prevent much of this grain from qualifying for price support. Price support levels for corn are \$1.40 and \$1.10, 10 and 15 cents a bushel lower than last year. Local market prices, which ranged between \$1.10 and \$1.30 for the 1956 crop, seem likely to range around \$1.00 to \$1.10 this year.

Soybeans. The 1956 production is estimated at 491 million bushels, 8 percent more than last year. This, plus the carry-over of 10 million, makes a total supply of 501 million compared with 460 million last year. Rate of use in October was the same as last year, and processors' margins, which are smaller than they were a year ago, do not encourage increased crushing. Exports will probably not be pushed much above last year's 85 million bushels. Thus only some new market development, like a change in the international situation, seems likely to raise soybean prices much above the price support level of \$2.09. The carry-over next fall may be somewhere around 40 million bushels.

Dairy. The dairy situation shows little change. Milk production continues to increase about as fast as population--nearly 2 percent a year. The government buys around 3 percent of the milk produced (in the form of butter and cheese) annually to support prices. Producers in some markets may get small price increases. Feed costs may average about 10 percent lower than in 1956, but that would be of little help to dairymen who produce most of their own feed.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Boward

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-12/57-15,175

PERMIT NO. 1247

Egg producers are in a more favorable situation than they have been for some time. Prices of henfruit were 5 to 10 cents a dozen higher this fall than they were last fall. Feed costs were a little lower.

Egg prices dipped sharply during late November and early December. But since a similar decline had occurred a year before, prices are still well above 1956 levels. There was also a similar decline two years ago.

The higher egg prices this fall were caused by a moderate decline in supply. Egg production was estimated to be about 5 percent less than in the fall of 1956.

The USDA forecasts that egg production in 1958 will be 2 percent below 1957. The decrease will be greater during the first half of the year and less or none at all in the last half.

The egg-feed price ratio was 13.6 in November compared with only 10.5 a year before. (This figure is the number of pounds of feed that is equal in value to a dozen eggs.) The 5-year 1951-55 November average egg-feed ratio was 12.4.

The favorable egg prices, if maintained, will bring about a substantial increase in the number of chickens raised for laying flock replacements. This need not necessarily lead to disaster, since some increase in number of chickens raised will be needed to replace the large number of hens being carried over for the second year.

The number of hens and pullets on farms is also about 5 percent less than it was a year ago. Rate of lay usually increases a little each year, but this increase may be checked this year because of the large proportion of hens carried over in laying flocks.

(Continued)

There are some reports of consumer resistance to higher prices for eggs this year. If sales decline and stocks pile up, prices will be further reduced. It may be, however, that the reductions so far will provide sufficient sales to hold prices near recent levels for several weeks.

Broilers. Through the first quarter of 1958, market supplies of broilers will continue to be 5 to 10 percent larger than a year ago. This expectation is based on number of chicks placed and eggs set during recent weeks.

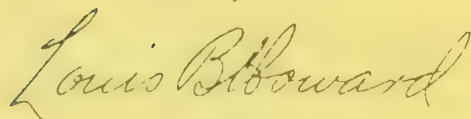
The need to sell larger supplies than last year will tend to hold prices near the low levels of the year before.

Turkeys. Large supplies dominate the market. Five dollars spent for a turkey buys a lot of fine food.

A record of nearly 81 million turkeys was produced in 1957. Production might be somewhat lower in 1958. The number of breeders tested early was less than last year. A survey of farmers' intentions to keep breeders pointed to reductions in numbers of heavy whites and Beltsville types.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-12/57-15,150

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Unfavorable weather during the fall points to a rapid disappearance of the 1957 corn crop. Conditions at harvest time were bad over large areas of Illinois, but they were even worse in Iowa, Nebraska and Minnesota.

Damp, rainy weather before and at harvest time prevented proper drying of the crop, caused heavy field losses and stimulated rapid use. Heavy snow in November greatly aggravated conditions in the western corn belt. A review of conditions in the various states will help to show the whole picture.

Illinois. The corn crop was planted late, especially in the southern half of the state. It made rapid progress to about September 1. Warm, dry, windy days were needed to dry the crop, but they did not come. In the northern half of the state, harvest was finished without excessive delay, but a large part of the corn contained too much moisture to keep normally in storage. In the south, nearly half of the crop was still in the field on December 1.

Indiana. Three-fourths of the crop in the northern part of the state was still unharvested on November 1. Five weeks later an official report said, "Farmers leaving corn in the field, hoping for drying weather."

Ohio. On December 1, one-fifth of the corn crop was still in the field. "Keeping qualities of some of harvested crop in doubt, due to too high moisture."

Iowa. One-fourth of the crop was unharvested as late as December 7. "Moisture content still quite high and some higher moisture than prior to the heavy snow in November."

Nebraska. By November 23, three-fifths of corn crop had not been harvested. "Most grain (including sorghums) still too wet to store safely and all available dryers in use."

Minnesota. As late as November 23, 45 percent of the corn crop was still in the field. On December 7 moisture content of much corn was too high for safe storage.

Missouri. On November 23 about 30 percent of the crop had not been harvested. Fields were muddy. Corn was wet.

The unfavorable weather greatly delayed harvest. Field losses have been large. The high moisture content tended to make some of the crop both unstorable and practically unsalable. Price discounts amounted to more than 50 cents a bushel in some cases. High-moisture corn is not eligible for price support. Some of the corn that does qualify for price support may be too wet for further storage next summer.

The large amount of wet corn is stimulating extra feeding of hogs and cattle. It seems quite possible that this extra feeding, plus large field losses and some crib losses, might push total disappearance 2 percent over that of last year. If so, there would be no addition to the corn carry-over for the first time in five years.

Earlier this fall it was believed that large supplies of other feed grains would reduce the use of corn. Since that time unfavorable weather has delayed the harvest of sorghum grain and caused severe field losses. Now it is doubtful that large supplies of the other feed grains will prevent an increase in the disappearance of corn.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

A handwritten signature in cursive script, reading "Louis Bibb".

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-12/57-15,150
PERMIT NO. 1247

Santa Claus brought hog producers a nice present--the news that hog production is not increasing rapidly. The 1957 fall pig crop, farrowed June through November, was only 2 percent larger than that of a year before--that is barely enough to match the increase in population. Farmers intend to increase spring farrowings only 6 percent.

The facts above were shown in the semiannual pig crop report released by the U.S.D.A. just before Christmas. The report was based on a survey of 149,000 farms in all parts of the country.

The estimate of the 1957 spring pig crop was revised to 52.6 million head, 1 percent LESS than that of 1956. The number of spring pigs still on farms December 1 was estimated at only 15.5 million, 3 percent LESS than one year before.

MARKET PROSPECTS. Weekly market supplies will not shrink so much as usual this winter. Farmers, especially those in the western half of the corn belt, have recently held back hogs to use wet corn. Furthermore, farrowings last June and July were about 10 percent greater than they were the year before and hogs from those litters are now approaching market age. The feed situation will produce greater average slaughter weights. The supply prospect, plus increasing unemployment, may bring lower prices for hogs during this winter.

The bulk of the fall pig crop is farrowed in August and September. Farrowings in those months of 1957 were 3 percent less than those of the year before. Hogs from these litters will be on the market in March and April. Average weights seem likely to be up at least enough to offset the reduction in numbers. Farrowings in October and November were about normal, and the same as in 1956. As usual, the smallest farrowings were in November, so market supplies will be small again in June and July.

Biggest uncertainty about the hog market next fall is consumer demand. If business activity picks up early in 1958, the indicated increase of 6 percent in supplies of hogs can be sold at good prices. Even if unemployment increases, hog prices do not seem likely to sag to the low levels of two years ago.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Bidward

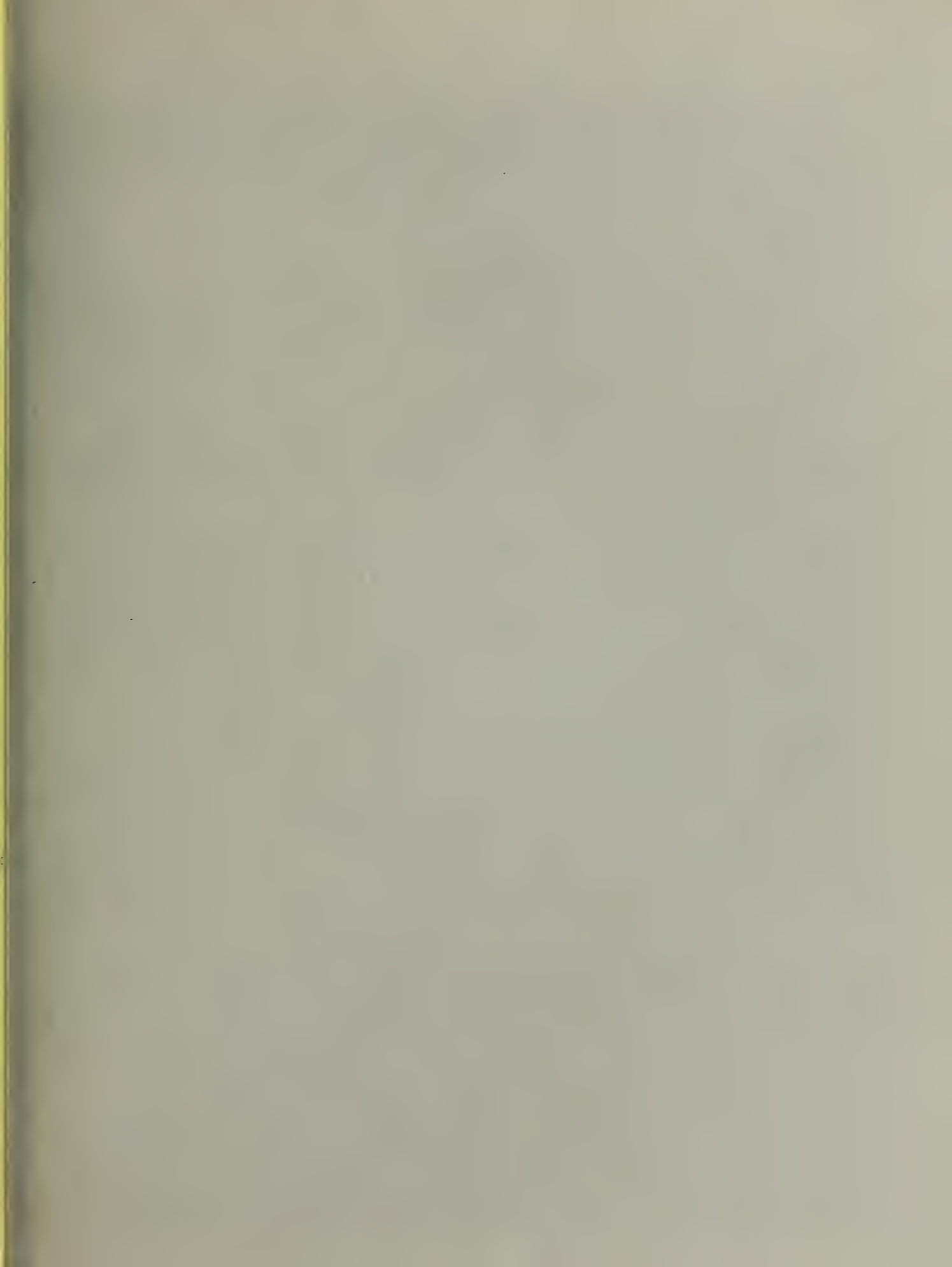
Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-12/57-15,150

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300



558.1

IL 66Zw

1958

copy 3

Prices of several important Illinois farm products will be under pressure in the new year. Among these products are beef cattle, hogs, corn, dairy products and eggs. Some farmers held off sales late in 1957 in order to postpone income-tax liability. Thus a greater volume of sales and a consequent lowering of price can be expected in the late winter.

Beef cattle. Fat cattle are bringing high prices for this time of year. Prices of choice steers at Chicago averaged nearly \$27 a hundred pounds in December compared with \$22 or less in each of the two previous years. However, prices are moving into a weak part of the calendar. In each of the past two years, the spring low came early--in February. Prices for choice steers averaged \$20.57 last February and \$18.88 the year before.

Large amounts of wet corn and sorghum grain and lush wheat pastures are available, so a near-record number of cattle are being fed. This points to large marketings of fat cattle in the spring. At the same time, the sag in industrial activity will dull the demand for highly finished beef.

Hogs. Prices of hogs are also unusually high for this time of year. The average price for barrows and gilts at Chicago in December was well above \$18 a hundred pounds. This was the highest price for the month in four years, and probably the third highest in nine years. Marketings did not increase as they usually do in November and December. Many farmers, especially those in the western parts of the corn belt, apparently are holding hogs to use wet corn. This holding back will add to both numbers and average weights this winter. Furthermore, farrowings last June and July were 10 percent greater than they were a year before, and probably the second largest since World War II. Hogs from these litters are now reaching market age.

Corn. Corn is cheap in relation to the prices of hogs and cattle. Corn prices are also roughly 15 to 20 cents a bushel lower than they were a year ago, even though the total supply of corn is about

the same as last year. Two factors mainly account for the pressure on prices: Price-support levels are 10 and 15 cents lower than last year; and much corn, especially in Iowa and Nebraska, is too wet to qualify for price-support loans. Producers' needs for money will bring many sales during the next few months.

Dairy. The Department of Agriculture has announced that price-support levels for manufacturing milk and cream will be reduced on April 1. If the reduction is carried out as announced, milk prices will come under increasing pressure in the spring. Many dairymen naturally oppose any reduction in prices. But price supports for milk have been rather expensive. In the past five years costs have amounted to about 1 1/2 billion dollars, or enough to buy all the milk cows in Illinois, Wisconsin, Minnesota, Iowa, Missouri, Indiana, Ohio and Michigan. Consequently, it does not seem likely that the Department's decision to reduce price-support levels will be reversed.

Eggs. Recent prices were one-third higher than those of last year. Because of increasing production, prices typically sag during the first four months of the year. A substantial decline has already occurred. The supply per person, however, is around 6 percent less than last year, and the smallest in several years. Thus egg prices may resist some of the usual winter declines.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bibb
Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278/1-58/15,300
PERMIT NO. 1247

Many farmers are asking how the business recession will affect them. The answer to their question depends upon (1) how long the recession lasts, (2) how severe it becomes, (3) what the farmer is producing, and (4) what the government does to protect the farmer from the effects of reduced consumer spending for food and other farm products. This discussion concerns the length and severity of depressions. The other questions will be discussed at a later time.

Many businesses run in waves or cycles. Periods of much and little activity tend to follow one another. There seem to be cycles in the production of shoes, clothing, automobiles and construction. The cycles in shoes, clothing, and automobiles seem to be fairly short--two or three years. The cycle in construction is much longer--perhaps 20 to 25 years.

Some industries are depressed at any given time. If several industries are depressed at one time, we have a minor recession, or a "rolling readjustment." If many industries get into trouble at the same time, we have a major depression.

A major depression began about eleven years after the Civil War and also eleven years after World War I. The present recession began twelve years after World War II. No two depressions, however, are exactly alike.

The major depression after World War I was the worst in our history. It began in 1929 and lasted until the big spending for World War II began in 1941. Half of the factory workers and three-fourths of the construction workers were unemployed during much of that time.

Most major depressions are like flu epidemics--they are world-wide. The depression of the 1930's was greatly aggravated by many bank failures. Our present banking system is much more depression resistant than that of 30 years ago.

Short, minor recessions have occurred every few years. There have been two since World War II. One was in 1949-50, the other in 1954. These were largely "inventory" recessions. Stocks

of merchandise became too large. Some workers were laid off but consumers kept buying, and after a few months the workers were called back. Few individual workers, however, were off the payroll for more than a few weeks.

The present recession is in part an inventory recession. But it may be more. Our oil wells and mines seem to be overdeveloped, for a while at least. Many of our factories, from steel mills to auto plants, may be overbuilt. Reduced spending for new plants and equipment is a factor in all major recessions.

Increased government spending for defense may help to pull us out of this recession, as it did the recession of 1949-50. At the least, however, it will be several months before employment and payrolls get back up to boom levels.

It is not possible to accurately forecast government action at this time. National defense considerations are being given much attention. But the coming elections, in 1958 and 1960, also are receiving attention. And a divided government--one party in control of the legislative branch and the other in control of the executive branch--does not make for the best governmental responsibility.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blooward
Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278/1-58/15,300
PERMIT NO. 1247

Soybean prices seem to be on dead center. Only minor price changes are expected until some new market development appears.

The supply appears to be around 40 million bushels more than will be used and exported, and by December 15 that amount had been placed under price support. Recent prices were probably high enough to prevent large additional amounts from being placed under loan.

According to a USDA estimate, farm stocks of beans on January 1 totaled 188 million bushels, which was 13 percent more than the previous record high for that date one year before. Stocks in commercial storage totaled about 26 million bushels compared with 16 million the year before.

Other beans are stored in local elevators, at terminal markets and at crushing plants. The amounts stored in these locations will be reported by the USDA late in January. Rough calculations indicate that stocks on January 1 may have totaled about 364 million bushels, 40 million more than was reported for the year before.

The total supply for this year (beginning October 1) was 490 million bushels compared with 443 million a year before. Exports for October-December were around 40 million compared with 37 million in 1956. Crushings took about 86 million compared with 82 million the year before.

The price support loan rate for this year is \$2.09 a bushel compared with \$2.15 last year. By December 15, 1957, farmers had put 41 million bushels under price support compared with 51 million a year earlier.

Prices for 1956 crop beans stayed enough above the support level to cause farmers to turn over only 25 million bushels to CCC by May 31. Present prices are well below those of last year, so there is no inducement for a farmer to redeem his beans and sell them on the market.

Any beans taken over by CCC on May 31 may be sold at a price equal to (1) the support level, plus 1 1/2 cents for each month or part month after May, or (2) the market price--whichever

(Continued)

is higher. Every sale, of course, will tend to reduce the market price. A similar sales policy was followed last summer, and most of the 25 million bushels of beans turned over to the CCC May 31 were sold by mid-August.

The Suez blockade gave bean prices a big boost late in 1956. There has been no corresponding development yet this season. A sharp recovery in business activity or an increase in export aids would give the market a lift.

Recent processing margins were much smaller than those of a year before. The price of soybeans was down nearly 30 cents a bushel, but the value of the oil and meal in a bushel of beans was down more than 40 cents.

Soybean products are cheap in comparison with competing commodities. A year ago soybean oil was 14 1/2 cents a pound, only 1/4 cent below cottonseed oil. Recently soybean oil was 11 1/2 cents, 4 cents below cottonseed oil. A year ago the base price of soybean meal was \$49.50 a ton, \$3.00 below cottonseed meal. Recently the bean meal was \$43.50, or \$7.00 below the cottonseed meal. These current low prices for soybean products give processors little incentive for bidding up prices of beans. On the other hand, the availability of price support relieves farmers of the need to sell at possibly lower prices.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300


Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278/1-58/15,300
PERMIT NO. 1247

The report of cattle on feed January 1 had a few surprises for some people. It showed that farmers in the corn belt were feeding more cattle than last year, and farmers in the west were feeding less. As was expected, however, it showed that marketings will be later this spring than in 1957.

Total cattle on feed in 12 corn-belt states were estimated at 4,399,000 head, 1 percent more than last year. Cattle on feed in 13 western states were estimated at 1,390,000, 13 percent less than a year ago. The United States total was set at 5,867,000, or 3 percent less than last year.

The small reduction in total number of cattle on feed reflects the smaller calf crops of the past two years. Ranchers seem to have held back cows, rather than young stock, for restocking their pastures.

State changes. Biggest increase in cattle feeding is in Kansas, where the number is up 41,000 head, or 27 percent. The increase reflects a bumper crop of sorghum grain and lush wheat pastures. Iowa and Missouri each reported increases of 25,000 (2 percent in Iowa, 9 percent in Missouri). These two states, hit by drouth in 1956, harvested big, but wet, feed crops last fall.

Biggest slash in cattle feeding was in California, where numbers were down 103,000 head, or 21 percent. Illinois showed the second largest cut, with 41,000 (6 percent) less than a year ago.

Cattle lighter. There was no important change in classes of cattle on feed. Steers made up 54 percent of the total compared with 55 percent last year. Calves made up 24 percent compared with 23 percent a year ago. Heifers were 21 percent in both years, and cows were about 1 percent.

The cattle were shipped into the corn belt later last fall than they were the year before. Consequently they had been on feed a shorter period and weighed a little less than those in feedlots last year.

(Continued)

Seventy-eight percent had been on feed less than three months compared with 72 percent the year before. Only 19 percent had been on feed three to six months compared with 25 percent a year ago. Only 3 percent had been on feed more than six months in either year.

Cattle weighing over 900 pounds made up only 24 percent of the total this year compared with 26 percent last year. Lighter cattle made up 76 percent this year, but only 74 percent a year ago.

Later marketings. Lighter weight of cattle on feed and more abundant feed supplies are leading to later marketings of fed cattle. Compared with last year, marketing intentions pointed to reductions of 20 percent in January, 11 percent in February and 6 percent in March. For April and later, intended marketings are 4 percent above last year.

Twenty-four percent more stocker and feeder cattle were shipped into nine corn-belt states in the October-December quarter than the year before, and total inshipments for the July-December half-year were 11 percent above the year before. Thus it appears that more cattle were being roughed along this year and are not yet on substantial grain feed.

Larger supplies coming. Recent cattle prices, up 15 to 40 percent from a year ago, have been sustained largely by a shortage of slaughter cows and other cattle that produce cheap beef. The shortage of these grades of cattle may continue until next fall, but the supply of fed cattle promises to increase markedly during the next four or five months.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bidward
Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278/1-58/15,300
PERMIT NO. 1247

Ideas of the size of the soybean supply are being re-revised upward. Total stocks on January 1 recently were officially estimated at 380 million bushels. This amount exceeds year-before stocks by 53 million bushels, or 16 percent.

Estimates of the 1957 soybean crop have been an up-and-down affair. The first official forecast, made early in August, was for a crop of 428 million bushels. Official estimates were raised month by month until November, when the crop was figured at 491 million bushels. In December the government figure was shaved to 480 million bushels, largely because of field losses due to bad weather at harvest time.

More recently there was unofficial talk that field losses were much larger than had been allowed for. The estimate of stocks on January 1, however, suggests that the latest official estimate of the crop was a conservative one.

Crushings and export of soybeans were a little larger in October and November than the year before, but in December they fell back to year-before levels. Crushings in the October-December quarter totaled 86 million bushels, 5 percent above the previous year. Exports during the quarter totaled about 42 million bushels, up 10 percent.

Crushings and exports plus January 1 stocks indicate that the 1957 crop may have been 15 to 20 million bushels larger than the official estimate of 480 million bushels. Another possibility is that the estimate of stocks on hand January 1 is a little high. All of us who use these figures should remember that they are only estimates, not actual counts. The figures are probably less accurate for stocks on farms than for those in other positions.

Stocks on farms January 1 were estimated at 188 million bushels, up 12 percent from the previous year. Stocks at processing plants were 79 million bushels, also up 12 percent. Stocks at

terminal markets were 24 million bushels, up 45 percent. And stocks at other elevators and warehouses were 89 million bushels, up 21 percent.

To December 15, farmers had placed 50 million bushels of soybeans under price support. This amount was one-fifth more than had been placed under loan at the same date a year earlier.

If crushings and exports from January 1 to the end of September are the same as they were last year, the carryover of beans on October 1 might be around 40 to 50 million bushels. This would compare with a carryover of 10 million bushels last fall and 3 million in 1956.

There is some thought that the present large stocks of soybeans might be pretty well used up by next fall. The supply of cottonseed, which competes with soybeans, is 16 percent smaller than last year. Smaller supplies of cottonseed oil and meal may make room for larger sales of soybean oil and meal here in the United States.

On the other hand, foreign countries apparently have less need for our soybeans and oil than they had last year, when the Suez blockade disrupted normal world trade routes. About 85 million bushels of 1956 crop beans were exported, and the oil from an additional 74 million bushels was also exported. Declines in business activity in other countries may make them less eager buyers of our soybeans and oil this year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard
Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278/1-58/15,300
PERMIT NO. 1247

Possible Price-Boosting Forces Listed

It is easy to see price-depressing forces in the corn market, and hard to find price-lifting ones. It is the unforeseen forces, however, that often bring the most important changes in grain prices.

Prices of corn recently were around 20 cents a bushel lower than they were the year before.

Here are some of the factors that made for lower prices:

1. The supply of corn on January 1 totaled 3,600 million bushels, 5 percent more than last year. Supplies on farms alone were 2,457 million bushels, also up 5 percent.

2. Total stocks of all other feed grains also were larger than last year. Oat stocks on January 1 were estimated at 932 million bushels, up 18 percent; sorghum grain, 505 million, up 123 percent; and barley, 358 million, up 17 percent. Altogether total stocks of the four feed grains were estimated at 138.5 million tons. This amount was 14 percent more than last year and 53 percent more than five years ago.

3. Price support is less effective than it was last year. Loan rates are 10 and 15 cents lower. Where last year 675 million bushels of corn were grown under acreage allotments, only 350 million were so grown this year, and a substantial part of this amount is too wet to qualify for price support loans. To December 15 only 14 million bushels, one-fifth as much as last year, had been placed under price support.

4. Roughage supplies are much more abundant than they were in 1957. Haystocks on January 1 were estimated at 87 million tons, 18 percent more than last year.

5. Business activity has slowed down materially. Unemployment totals around 4.5 million, or three unemployed for every two commercial farms. The general price level has been declining not only in the United States, but in other countries as well.

Prices of livestock, which are important in making corn prices, are unusually high for this time of year. Prices of fed cattle seem likely to decline more than usual from midwinter to late

spring, and prices of hogs may decline instead of making their normal spring rise. Thus, declining livestock prices may become a new bearish force on the price of corn.

While the supply of feed grains and hay is considerably larger than it was last year, the number of grain-consuming animals remains about the same. The small increase in hogs is about offset by decreases in horses and hens.

But there are also some possible sources of strength for corn prices:

1. Prices already have declined to quite low levels. Local Illinois market prices recently were around \$1.00 a bushel (for No. 3 corn) compared with about \$1.20 last year. Average prices received by farmers in the western parts of the corn belt were considerably lower. Where Illinois reported \$1.01 in December, Nebraska reported 93 cents, Iowa 85 cents, Minnesota 80 cents and South Dakota 72 cents.

2. Several Atlantic coast states suffered extreme drouth last summer and need cow and poultry feed.

3. CCC sales, which were about the same in the last quarter of 1957 as the year before, have been smaller lately and may be held down.

4. Poor growing conditions may develop in 1958.

5. Prices might rise on the strength of congressional talk or other activity.

6. International or domestic developments might spark a business recovery, or even set off a third post-war inflation.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Woodward
Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278/2-58/15,300
PERMIT NO. 1247

Ordinarily we would be expecting some improvement in hog prices at this time of the year. Prices usually rise at this season because farmers have fewer hogs to sell each week than they had the week before. The average price rise from winter low to summer high is around 25 to 30 percent.

Several factors seem to be combining to prevent the normal spring price increase this year. If prices do go up, the rise seems likely to be much smaller than usual.

1. Prices are already unusually high for this season of the year. It is more difficult to lift prices from a high level than from a low one.

2. Farmers are reported to be holding back hogs to use wet corn. This seems to have prevented the usual bunching of marketings in the late fall and early winter. It may also tend to maintain large marketings through March and April.

3. The supply of beef will not shrink so much as usual during the late winter and early spring. Marketings of grain-fed cattle will be relatively heavy in April and May.

4. Prospective supplies of broilers are about 10 percent above the record supply of a year ago.

5. Finally, and perhaps most important, about 4 1/2 million persons are unemployed, and many more are earning less than normal wages. Unemployment checks are running out. Many workers who have not yet been laid off will be spending money cautiously, trying to save a little...

["just in case."

While conditions may not support a seasonal price rise, there should be enough shrinkage in market supplies of hogs to prevent any major price decline during the next few months. The weekly supply of pork usually drops about one-third from January 1 to July 1. It seems likely to drop a little less than usual this year. The much-talked-about increase in hog production will not show up in the markets until about August.

(Continued)

At mid-January prices, a hundred pounds of live hogs were equal in value to 21 bushels of corn. This was one of the most favorable hog-corn price ratios on record. The 10-year average is only 13.5 bushels of corn to 100 pounds of hogs. The recent price relationship makes it very profitable to feed hogs to much heavier than usual weights.

Price discounts for heavy hogs are normally greatest from January through March. This year large discounts may be continued through April and even into May.

Recently 270- to 300-pound hogs were selling for around \$1.25 a hundred pounds less than 200-pound hogs. A couple of years ago the difference was \$1.50 to \$1.75. It might exceed these figures this year.

In spite of all our talk about farmers' holding back hogs, average slaughter weights since November have been almost exactly the same as they were a year ago. So maybe farmers are not holding back as many hogs as we thought.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blooward
Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278/2-58/15,300
PERMIT NO. 1247

Many farmers are concerned about the likely effects of the business recession on their income. In a previous report we said that these effects would depend on (1) how long the recession lasts, (2) how severe it becomes, (3) what the farmer is producing, and (4) what the government does to protect the farmer from the effects of reduced consumer spending for food and other farm products. The previous report discussed the first two questions. This one concerns questions (3) and (4).

In the short run--one to two years--farmers who produce meats and fruits and vegetables seem likely to suffer more loss of income than those who produce the price-supported crops. In the longer run, the effects of depression will spread to practically all farmers, since the government could not support one large group while another group carried the full load of feeding the unemployed.

So far in this recession the unemployed consist largely of the workers who spend the largest shares of their incomes for food. These people are our industrial workers. They run our factories and operate our mines. They typically spend 30 percent or more of their incomes for food, whereas most other consumers spend less than 25 percent.

As most farmers well know, marketing expenses (which are mostly labor costs) are relatively fixed and are not easily reduced. In fact, some labor groups will make strong efforts to secure wage increases this year. Thus most of any cuts in consumer spending for food will be passed back to the producer in the form of lower prices.

In the 20 years between the two World Wars, farmers' gross cash receipts went up and down, step by step, with changes in the incomes of industrial workers. The relationship may not be so close now, but any major decline in the incomes of non-farm workers is certain to cut farmers' income.

To date the price effects of unemployment on farm income have been largely hidden by other factors. A shrinkage in the supply of meat has more than offset the decline in consumer demand. Meat production was 5 percent lower in December than it was the year before, 7 percent lower in January, and 10 percent lower in early February.

Prices of canned goods probably have not yet been marked down; but if consumers are buying less, stocks will not move as fast as expected and prices will be reduced later. This year's contracts for the production of canning crops may not, however, be much affected by later cuts in retail prices.

The recent loss of crops in Florida and elsewhere will tend to offset the price effects of reduced consumer demand for fresh fruits and vegetables in industrial areas.

If the recession deepens and continues for a year or two--or more--there will be increasing pressure upon Congress to cut price support levels for crops--and dairy products. This pressure will come from the unemployed and from taxpayers, who greatly outnumber farmers.

Any persistent recession in the United States will be accompanied by similar conditions in many other countries. Since the products from 15 to 18 percent of our acres are sold in foreign countries, depression in those countries would cut the markets for our crops--especially wheat, cotton, tobacco, corn, and soybeans.

SPECIAL NOTE: People who live on farms now get as much cash income from non-farm jobs and investments as they net from operating farms. Business recession cuts sharply into this non-farm income of farm people. Furthermore, lessened non-farm employment opportunities would greatly increase the competition for farms and prevent needed farm enlargements.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard
Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278/2-58/15,300
PERMIT NO. 1247

What is ahead in farm income? Can and will Congress "pass a law" that will provide farmers with more satisfactory incomes? The first step in answering these questions is to try to get a better understanding of the present farm income situation.

The most important fact about farmers' incomes is that some farmers make very good incomes, while other farmers make very little. For example, in the five years ending with 1956, the average net income per farm (from farming) in West Virginia was under \$1,200 a year, while that in Arizona was over \$15,000 a year.

Probably few citizens of Illinois, or any other state, want to pay higher taxes or higher prices for food and clothing to boost the Arizona farmers into higher income brackets. On the other hand, no farm price support program, or direct payment scheme, will provide an up-to-date income for the West Virginia farmers so long as they stick to their small farms.

Of course, these two states represent the extremes of farm income. There are, however, very large differences among other states. There are also very large differences within states, including Illinois.

In 1956, 14 states had only one-fourth to one-half as much income per farm as Illinois. These states were scattered from Alabama to New Hampshire, and from Oklahoma to South Carolina.

Seven states had more net income per farm than Illinois. These states ranged from California to New Jersey, and from Florida to Montana. California had more than twice as much income as Illinois, and Arizona had four times as much.

In Illinois in the same year, one group of tenant farmers on good one-man, full-time farms made more than three times as much as other farmers on similar farms. Even greater differences in incomes are common in some other states.

(Continued)

Farm earnings in Illinois compare more favorably with wage rates than may be apparent at first thought. For example, average weekly earnings in factories producing durable goods are around \$87 a week. For 50 weeks that would be \$4,350 a year.

Out of this amount the factory worker will have to furnish his own house at a personal expense of around \$1,200, while tenant farmers generally deduct most costs of housing as a farm business expense. Another disadvantage of the factory worker is that he cannot deduct any car expense from his taxable income even though he drives several miles each day to work, while farmers generally charge half their car costs as a business expense.

The farmer, of course, has capital invested in his business. However, interest on borrowed capital is deductible for income tax purposes. Furthermore, in many farm accounts the earnings of tenant farmers are shown as a labor and management wage, and interest on investment is charged as an expense whether or not the capital is borrowed.

So far we have been talking about farmers' incomes from farming. A very important fact is that farmers in many states receive more income from off-farm work than they do from farming. For the United States as a whole, this income from off the farm is equal to the net cash income of farm operators.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard
Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278/2-58/15,300
PERMIT NO. 1247

Cattle numbers are still in the declining phase of their cycle. Beef production will not keep pace with population growth in the next few years. Cattle prices, however, probably cannot be maintained at recent high levels.

Cattle numbers on January 1 were estimated at 94.0 million head. This number was 1 percent less than that of a year earlier and 3 percent less than the record high of two years before. The 94.0 million cattle on farms at the beginning of this year were the smallest number since 1952.

Numbers of cattle kept for milk--cows, heifers and replacement calves--on January 1 were estimated at 33.6 million head--2 percent below the previous year. This decrease accounted for most of the decline in total cattle numbers during the past year.

The number of beef cattle on January 1 was estimated at 60.4 million--about the same as one year before, but 3 percent less than the record high of two years ago. Compared with the beef herds of two years ago, present herds include 4 percent fewer cows and 2 percent fewer heifers, but about the same number of steers and calves.

The 1957 calf crop is estimated at 41 million head, which is 2 percent less than that of a year before and 6 percent less than the record high in 1954. The 1958 calf crop may be even smaller, since the number of cows on January 1 was slightly smaller than one year before.

While our calf crop declined 6 percent in three years, human population increased 5 percent. This makes a reduction of 11 percent in the number of calves in proportion to population. A further decrease in this proportion will occur this year. These trends point to less beef per person in the next few years than we had in 1957 and 1956. It may be a mistake, however, to expect cattle prices to hold at the favorable levels of the past several months.

(Continued)

The cattle market of recent months received unusual support from two sources: (1) Supplies of pork have been shrinking. (2) The marketing of cows and other low-grade slaughter cattle has been unusually small.

The supply of pork declined from about 67 pounds per person in 1955 and 1956 to 62 pounds in 1957. Now farmers have indicated that they intend to increase spring farrowings by 6 percent, and pork supplies will increase correspondingly beginning in July. Further increases in pork supplies are likely in 1959 and 1960.

Weekly output of beef so far in 1958 has been 7 to 15 percent less than it was one year before. Outputs of pork, veal, lamb and mutton have been similarly reduced. This decrease reflects an unusual restriction of livestock marketings, since there is no corresponding decline in livestock numbers. As marketings increase to more normal rates during the months ahead, livestock prices will be adjusted accordingly.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300


Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278/3-58/15,300
PERMIT NO. 1247

We have been asked, "Why are livestock prices so high?" Also, "Why have prices of hamburger and other meats gone up so much?"

Complete answers to these questions would be long and complicated, but the basic facts are simple. Although consumer demand has been reduced, the supply of meat has been cut even more.

Unemployment has caused some cut in consumer buying power. In February about 7 percent of our labor force--twice as much as usual--was unemployed. But most of these workers were getting some kind of unemployment income. Many families with one unemployed member had another member still earning good pay. Ninety-three percent of all workers still had jobs, though some were not full time.

While consumer buying power has been reduced perhaps 4 percent, the supply of meat has been cut about three times that much. Meat production began to fall below year-before levels early last year. The shortage became more persistent last fall, and especially this winter. During the first week in March, there were only about 10 pounds of meat per family where there had been 12 pounds the year before. All kinds of meats--beef, pork, veal, and lamb and mutton--showed about the same decrease.

The supply of everyday hamburger beef was cut first. When the drouth in the west was broken last summer, farmers and ranchers started holding back cattle, especially cows. By last November prices of slaughter cows and low-grade steers were 30 to 40 percent higher than in November of 1956. At that time top cattle--prime steers--were bringing around \$27 a hundred pounds, a dollar less than the year before.

The shortage of hamburger cattle has persisted. It has provided a high foundation for all other cattle prices. It may continue until about mid-year, or perhaps longer, but market supplies of middle-grade cattle will increase sooner.

(Continued)

In many recent years, especially in 1956 and 1957, the cattle market was very poor in the late winter. Many cattle feeders apparently decided to avoid having cattle to sell on the market at that time this year. The result is an unusual shortage of fat slaughter cattle, especially prime steers. Even so, prices of top cattle show only a little more percentage increase over a year ago than do prices of cows and low-grade steers.

There is probably a record number of cattle on feed now. They will come to market in much larger numbers in a few weeks. At that time prices will begin a long decline that may continue into the summer.

The pork supply in recent weeks has been considerably smaller than had been expected from estimates of 1957 spring and summer pig crops. For a while it was believed that farmers were holding back hogs to use wet corn. Some holding-back may be occurring, but average slaughter weights so far have been no greater than they were last year.

Increased marketings of cattle in the next 90 days may undermine hog values. Thus prices of hogs may slide rather than make their usual spring advance.

Still uncertain is the business situation. Some strong spots are appearing. These may be the first signs of business recovery. Or they may be resting places on the way down. Any positive anti-recession medicine ordered by the government will not be delivered to the patient for several months.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300


Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278/3-58/15,300
PERMIT NO. 1247

Not April Fools', but April 2 (Wednesday)

SWINE GROWERS DAY, UNIVERSITY OF ILLINOIS

- 8-10 Visit the Swine Farm Experiments
10:30 Auditorium: Pasture or Drylot? Complete or Free-Choice Ration? Crossbreeding?
12:00 Barbecued Pork-Chop Luncheon in the Stock Pavilion
1:15 Auditorium: Contract Farming and Integration--Views of Hog Producers, Packers and Feed Manufacturers

You are invited.

NEW ECONOMIC REPORTS NOT GOOD

Consumers, Business to Spend Less

Two key reports on business prospects were released recently. One concerned consumers' intentions to buy new cars, homes, etc. The other concerned businessmen's intentions to spend for new plants and equipment. Neither was good.

Consumer spending. The report on consumers' intentions was based on a survey by the Federal Reserve Board. It showed that consumers expect to buy one-fifth fewer new cars this year than they bought last year. Further, they expect to spend \$70 less per car.

Families expect to buy or build one-sixth fewer houses this year. They also expect to spend less for furniture and appliances. Planned outlays for home repairs and maintenance appear to be about the same as they were a year ago.

One-fourth of the consumers, who were surveyed in January and February, said they were earning less than they earned the year before. This was the largest number in several years to report a cut in income. It was slightly larger than the number reporting declines in income in the recession years of 1949 and 1954.

Consumer, or personal, spending is by far the most important source of demand in this country. In 1957 consumers bought 70 percent of all goods and services produced. Consumer buying was maintained at a high level during the two previous recessions since World War II, and this aided early recovery. Now consumers are better supplied with autos, housing, appliances, etc., and they are more heavily loaded with debts. Thus they may not do so much buying to check the recession as they did in 1949 and 1954.

Business spending. The report on business intentions to spend was made by the Department of Commerce and the Securities Exchange Commission. It indicated that by midsummer business will be spending one-fifth less for new plants and equipment than a year earlier. All types of businesses, except public utilities, are making reductions.

Spending by business is much smaller, but much more variable than spending by consumers. Such spending last year absorbed about 10 percent of all goods and services produced. Business spending increased about two-fifths from 1954 to 1957, and this increase was a major factor in maintaining high-level employment.

Altogether business and consumer spending in 1957 took about 80 percent of all goods and services produced, while government purchases took the remaining 20 percent. If business and consumer spending is reduced, will government spending be increased enough to "take up the slack"?

Outlays by state and local governments have been increasing slowly for many years, and no great change will occur this year. Any big anti-recession spending programs by the federal government would require at least six to 12 months to get into full operation. Thus it appears that government spending will not be increased enough this year to offset the decrease in private spending, and that the business recession will continue throughout the year. (A tax reduction could come more quickly, but little or no reduction is expected.)

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Boward
Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278/3-58/15,300
PERMIT NO. 1247

Hog prices seem likely to remain favorable to producers for another 15 to 18 months. This does not mean that prices will be so high as they have been in recent months, but, rather, that well managed hogs will pay more than market prices for the corn fed to them.

Farmers are cautious. They show no signs of suddenly flooding packing houses with pork as they did in 1955. These tendencies are apparent from the quarterly Pig Crop Report released recently by the USDA.

Market hogs (1957 fall pigs). Farmers are marketing hogs promptly as they reach desirable slaughter weights. The first of March they had 5 percent more hogs over six months old than they had last year, but this was in line with the 6 percent increase in farrowings last June-August. Hogs three to six months old numbered 1 percent more than the year before and will constitute most of the market supply for the April-June quarter.

Spring pigs (farrowed December-May). There were 12 percent more pigs under three months old on farms March 1 this year than last. This figure reflects heavy losses at farrowing, because 15 percent more sows farrowed this past December-February than the year before.

Farmers expected to have only 1 percent more sows farrow in March-May than they had last year. Altogether expected spring sow farrowings (December-May) were reported to be 6 percent more than last year, but most of this increase is in "winter" farrowings, pigs already on the ground March 1. This will add to the slaughter supply for July-September--not to the usually big October-December supply.

1958 fall pigs. Farmers indicated that June-August farrowings would be up 13 percent over last year. This period covers the first half of the official fall farrowing season and usually includes about half of the total fall pig crop.

Farmers did not report their farrowing intentions for the last half of the fall season. There are good reasons to believe that the increase will be much less in the last half of the fall season

than in the first. For example, last fall June-August farrowings increased 6 percent, while there was no increase for September-November. This spring there is an increase of 15 percent in farrowings for December-February, but an intended increase of only 1 percent for March-May. These changes are part of a trend toward more uniform year-round production.

Many farmers are still looking back over their shoulders to 1955, when hog prices hit bottom late in the year. Although hog production is increasing, prospective supplies per person are far less than those suddenly pushed at consumers in 1955-56.

Reported percentage increases in hog production may be reduced by nearly two points to adjust for the increase in population. Thus the increase of 6 percent in the spring pig crop would make only 4 percent more hogs per person.

The 1955 spring pig crop totaled 57.7 million head. The prospective spring crop for 1958 is only 55 million head. Thus this pig crop is 4 percent smaller than that of three years ago, while population is 5 percent greater. The reduction under 1955 therefore amounts to about 9 percent per person.

While prospective pork supplies are moderate, prices may suffer this year because of increased supplies of beef and poultry and shrinking consumer demand. Next year the pressure of beef supplies may be eased, and we can hope for a recovery of consumer demand.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300


Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278/3-58/15,300
PERMIT NO. 1247

Recent prices of corn were 10 to 15 cents lower than those of a year before. There are several reasons for the lower prices:

1. Supplies of corn are larger than they were a year ago. Farmers have about 5 percent more, and the government has 10 percent more. Total stocks are probably up around 7 percent. The western corn belt especially (except Missouri) is much better supplied with corn than it was a year ago.

2. Supplies of other feed grains, especially sorghum grain, are much greater than they were a year ago. Altogether, supplies of these other feed grains are about half again as large as last year. Sorghum grain provides exceptionally abundant feed in the usually dry areas of western Kansas and Texas.

3. Much less corn than last year is eligible for price support. Fewer farmers complied with their acreage allotments, and much of the 1957 crop is too wet to qualify for price support loans. To mid-February, only 181 million bushels had been put under support, three-fifths as much as to the same date a year before.

4. Price support levels are lower than they were last year. The average support rate for compliance corn is \$1.40, 10 cents lower; and for noncompliance corn, \$1.10, 15 cents lower.

5. The soft and uncertain business situation also probably weakens the market for corn.

Against these price-depressing forces, there are a few price-supporting ones: (1) The government has been selling less corn--only 100 million bushels since October 1 compared with 140 million a year before; (2) exports have increased, amounting to 78 million bushels since October 1 compared with 57 million a year before; (3) prices of livestock are higher than they were last year; and (4) there is a stronger demand in the South and East for feed from the corn belt than there was a year ago.

(Continued)

Looking ahead, it appears that very little additional 1957 corn will be placed under price support because prices already are close to the support levels for noncompliance corn. The government may have to step up its sales of corn in order to prevent losses from spoilage. Livestock prices will not show their usual price advances this spring and summer. The prospective acreage of corn for 1958 is about 2 percent larger than for 1957. Finally, the price support level for the 1958 crop seems likely to be lower than that for the 1957 crop. The USDA recently announced that the loan level would be not less than \$1.36, four cents less than the present rate.

A change in government policy regarding export sales might lift market prices. Heretofore the CCC has been selling its own stocks of corn for export. Plans are being made to change to the payment of export subsidies as is done with wheat. The subsidies would be paid in corn from government stocks. Whether such a change would boost market prices would depend upon the rate and amount of subsidy payments.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bidward
Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278/4-58/15,300
PERMIT NO. 1247

Prices of the 1957 crop of soybeans have held closely to the support level. Meal values have increased sharply, but bean prices have not followed because the supply of beans apparently is well in excess of the amount that will be used and exported. Only small price changes are expected, unless the actual supply of beans proves to be considerably different from official estimates.

The price support level in east-central Illinois is \$2.15 a bushel, plus up to 4 cents premium for the extra quality of many lots of beans. Average prices to farmers sagged to around \$2.10 at harvest time, then recovered to near \$2.20 in December, and they have held close to that figure since then.

Soybean meal values reached a low of around \$44.00 a ton at Decatur in December. Since that time meal prices have risen sharply, with recent quotations at \$57.50. The increase amounts to about \$14.00 a ton, or nearly one-third. A bushel of soybeans yields about 47 pounds of meal, so the increase in meal value is equal to about 33 cents a bushel of beans.

Soybean meal prices seem to have gained a double support from the livestock industries. The large number and good prices for livestock, poultry, and eggs lifted the demand for feed. At the same time, the relatively small slaughter of livestock in recent months restricted the production of tankage and meat meal, which compete with soybean meal. Numbers of livestock and poultry will remain high or even increase slightly during the next six months, but prices of livestock, poultry, and eggs may slump. Thus, the consumption of soybean meal may continue at a record level, but this does not guarantee that farmers will be willing to continue to pay present prices for protein feed.

Soybean oil prices have been in the 11 to 12 cent range for about two years. Some market observers think that a rise is overdue. They believe that agreements that have been made to export oil under Public Law 480 will bring higher prices.

(Continued)

The supply of soybeans seems to be more than equal to any needs for our own use and exports. The USDA recently forecast the carryover next October 1 at 35 million bushels. This would be only 7 percent of the 1957 crop, but it would be three and one-half times as much as was carried over last fall. And that carryover was larger than average.

If the carryover is as much as is now expected, most of it will be owned by the government. Farmers have placed 90 million bushels under price support. After May the government will sell as many of these beans as possible at the support level plus a carrying charge of one and one-half cents a month. This prospect is a strong factor in preventing large price increases above the support level.

Since the supply not under price support falls short of expected needs for crushing and export, prices should hold at or slightly above the support level.

Best chances of price increases for soybeans seem to be that (1) the actual supply may be substantially smaller than official estimates, and (2) the 1958 crop may be something less than a record breaker. Other possibilities are that crushings or exports, or both, may be increased more than is now expected.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300


Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278/4-58/15,300
PERMIT NO. 1247

Corn prices have made good recovery since harvest. The rise amounts to about 20 cents a bushel, starting from around \$1.00 for No. 2 corn at the low. It puts prices at about the same level as prevailed last spring and summer. Future price trends will be dominated by sales of government corn, but some other factors are important.

Illinois farmers have less corn. You can see a lot of cob piles and empty cribs on Illinois farms, but this picture may be misleading because of other changes. For example, while Illinois farmers have less corn than they had a year ago, almost everybody else has more.

Illinois farm stocks of corn on April 1 totaled 291 million bushels. This was 15 percent less than the year before, but 23 percent more than the average for 10 years. While the reduction in farm stocks from the year before amounted to some 43 million bushels, it was largely offset by a reduction in the amount under price support. Thus the amount available on Illinois farms for feeding and sale was not much different from that of a year before.

Total farm stocks larger. Total U. S. farm stocks of corn were slightly larger on April 1 this year than last, and less corn was tied up under price support. Stocks were estimated at 1,673 million bushels, which was 3 percent more than the year before and 22 percent more than the 10-year average. But since less corn has been put under price support this year, the amount on farms available for feeding and sale is around 5 percent more than it was a year ago.

Biggest increases in corn supplies over a year ago are in Nebraska and Iowa. Most other states west of the Mississippi River also have more corn. States having less than last year include Minnesota and Missouri and almost every state east of the Mississippi River. Thus there is a strong demand for Illinois corn from states to the east and south.

Uncle Sam also has more corn. The amount of corn owned by the CCC on March 26 was estimated at 1,056 million bushels, or 22 percent more than the year before. Though its stocks are

larger, the CCC has sold less since last October 1 than it sold a year earlier. Sales to March 19 amounted to 100 million bushels, one-fourth less than last year. The reduction in sales has been in the domestic market, since more has been sold for export.

Market price tops low support level. Although recent market prices of corn were about the same as those of a year before, they were considerably higher in relation to price support levels. A year ago the support for compliance corn was \$1.50 and for non-compliance corn, \$1.25. This year it is \$1.40 for compliance corn and \$1.10 for non-compliance corn. Thus a market price of \$1.20 a year ago was 5 cents under the low support, while now it is 10 cents above.

The relatively higher market price for corn in Illinois this year reflects a stronger demand from the eastern and southern states and reduced sales by the CCC. If prices rise much more, many farmers who complied with acreage allotments in 1957 will wish they had planted more corn. Compliance with 1958 allotments may be small. Price support for the 1958 crop will be not less than \$1.36 for compliance corn.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300


Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278/4-58/15,300
PERMIT NO. 1247

Cattle prices appear likely to decline substantially this summer and next fall. Prices of the lower grades will decline more than usual, and prices of the higher grades, which usually rise from spring to fall, seem likely to sag. This forecast is based on a study of past price trends, cattle numbers on farms, slaughter rates, cattle on feed, marketing intentions, consumer demand and other items.

Recent prices for fed cattle have been the highest since way back in 1952. Choice steers have been bringing around \$30 a hundred pounds, which is \$7 higher than a year ago. It is \$6 higher than the average for all of last year and also \$6 higher than the average of the past five years.

Cattle held back. The high prices this year are the result of a restricted slaughter of cattle and relatively small supplies of other meats. Farmers and ranchers have been buying and holding cattle to consume the big feed crops they produced last year and to rebuild range herds depleted during the drouth years.

At the beginning of this year, farmers and ranchers had an estimated 60 million head of beef cattle, the same as one year before. Of these cattle, 9 1/2 million were steers--4 percent more than last year. By contrast, slaughter of cattle so far this year has been running 12 to 15 percent behind a year ago.

Number in feed lots up 12 percent. On April 1 farmers in 15 cattle-feeding states had over 5 million cattle on feed--12 percent more than the year before and a new record high for the date. The previous record was set in 1955; the number on feed this year is about 7 percent higher than in 1955.

In 1955 the average price of choice steers at Chicago slid from \$27 in January to \$20 in December. There will be less competition from pork this year than in 1955, but more people may be eating beans on account of unemployment.

(Continued)

Heavy marketings after July 1. Most of the cattle on feed are headed for market after July 1.

Of the cattle in feedlots on April 1, farmers expected to market 13 percent in April, 14 percent in May, 15 percent in June, and 58 percent in July and later. Compared with last year, intended marketings of cattle for April were 6 percent less; for May, 1 percent more; for June, 3 percent more; and for July and later, 22 percent more.

Expected later marketings of fat cattle this year reflect a larger proportion of calves, the later movement of feeder cattle from ranges to the corn belt last fall, and the heavy movement during the winter. Cattle now in feedlots have been on feed fewer months and weigh less than those on feed a year ago.

Weights and kinds. Of the total number in feedlots, 42 percent had been on feed less than 3 months, 54 percent 3 to 6 months and only 4 percent over 6 months. Compared with a year before, the number that had been on feed less than 3 months was up 28 percent and the number on feed 3 to 6 months was up only 5 percent, while the number on feed over 6 months was down 26 percent.

The number of cattle weighing under 600 pounds was up 18 percent from the year before; the number weighing 600 to 900 pounds, up 15 percent; and the number weighing 900 to 1,100 pounds, up 5 percent; while the number over the 1,100-pound mark was down 13 percent.

Of the total cattle on feed April 1, 61 percent were steers, 21 percent heifers and 17 percent calves. Compared with one year before, the numbers of steers and heifers were up 10 percent, and the number of calves up 20 percent.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blooward
Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278/4-58/15,300
PERMIT NO. 1247

Total stocks of the four feed grains on April 1 were about 10 percent larger than the previous record for the date set just a year before. Stocks of corn, sorghum grain and barley were each at new record highs. The supply of oats, while not a record, was 25 percent larger than last year.

Corn stocks on April 1 reached a new high at 2,800 million bushels, 8 percent above the 1957 record. Stocks of sorghum grains were listed at 424 million bushels, three times as large as last year. Stocks of oats totaled 600 million bushels, 25 percent more than a year before. Barley stocks totaled 262 million bushels, up 23 percent from a year ago.

Stocks of soybeans on April 1 were estimated at 254 million bushels, 18 percent over the previous record for the date set just a year before. New records are, of course, common and normal for soybeans. Values of soybeans recently have been affected by declining prices for soybean meal and oil.

In April the price of corn in Illinois moved up to around \$1.20 a bushel. This price was about the same as that received for much of the previous year's crop. It was high enough to cause farmers to sell some of the corn they had placed under the \$1.10 price support loan.

In the western half of the corn belt, however, corn prices remained much lower. Farmers there were not selling the corn they had put under loan, but they were selling large amounts of other corn, as both Iowa and Nebraska have large stocks. Some corn from Iowa has been trucked to shipping points on the Illinois River.

The strongest price-supporting factor in the corn market is the high prices of hogs and beef cattle. Farmers, in valuing corn for sale or purchase, give livestock prices first consideration.

The new export program for feed grains will have some further influence on prices. The new system goes into effect on May 5 for corn and on July 1 for other feed grains. On these dates the CCC will stop selling grains directly for export.

(Continued)

Under the new system, exporters will submit proof of exports to the CCC. They will then be given payment-in-kind certificates. These certificates will carry specific dollar values based on the number of bushels exported times the export payment rate for the kind of grain exported. The export payment rates will be set by competitive bidding by exporters and acceptance by the CCC.

The certificates will be redeemable at any time within 60 days in any feed grains available from CCC. The value of the CCC grain will be figured at going market prices. The grain will be delivered by CCC at seaboard for export.

As these new export programs go into operation, the CCC will resume sales, for unrestricted use, of nonstorable grain in warehouses and at bin sites.

Anticipation of the new export program may have been a factor in the April rise in corn prices. In the future the rates of export payments that are paid by CCC will be important price-making influences.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

A handwritten signature in cursive script, reading "Louis Bibb".

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278/4-58/15,300
PERMIT NO. 1247

Average prices received by farmers have gone up 19 percent in the past 28 months. This rise has lifted prices to the highest level in more than five years. In recent months farm income has gone up while unemployment has increased. This paradox has led some people to say that this is the best depression that farmers ever had.

But let us take care that we do not fool ourselves, or let others fool us. Some of the strength in farm prices reflects real growth and development of markets for farm products. Much of the recent price rise, however, has been obtained at the expense of shrinking markets.

Expansion of markets. Meat production increased 22 percent in the four years ending with 1956. Average consumption increased from 138 pounds per person in 1951 to 166 pounds in 1956. Consumption of poultry meat increased from 25 to 31 pounds. This big supply established high consumption habits; habits plus buying power make demand.

Shrinking supplies. For more than a year now, the supply of meat going to consumers has been diminishing. The supply per person dropped from 167 pounds in 1956 to 159 in 1957.

The supply so far this year is running about 11 percent less than in 1957. Thus the average consumer has been getting meat recently at the rate of only about 141 pounds a year. Except for 1951 and 1942, this is the smallest amount offered to consumers since the 1930's. It gets high prices temporarily, but it induces consumers to look for something else to spend their money for. This will be seen later, when farmers increase their marketings of livestock and prices must be reduced enough to induce consumers to buy more meat.

Egg production is also down this year--the supply per person is down about 6 percent from year-ago levels.

In recent months unfavorable weather has cut the supplies of winter fruits and vegetables. Resulting high prices for these products have also helped to boost the index of prices received.

(Continued)

Now let us look at the demand side of the market for farm products. So far the total flow of income to consumers has been reduced only 2 percent from the record high of last August. Loss of pay checks has been partly offset by unemployment compensation and by increases in wage rates for some workers. But these facts alone may be misleading.

Around five million workers were unemployed during the winter and early spring. This is about twice the normal unemployment in boom periods. But more than five million workers, perhaps seven or eight million, have been laid off at one time or another in the past six months. Even if total unemployment is leveling off, many other workers will be laid off in the next few months. Thus an increasing number of families will have suffered loss of wage income in 1958.

Restoration to payrolls does not immediately restore full-scale buying power. Family debts and unpaid bills which accumulate during unemployment must be paid before spending for food is increased to normal levels. Thus many families will be restricting their spending for food for at least several months. It may be significant that in the last previous recession, 1954-1955, the lowest level of farm prices came more than a year after the low in industrial production.

In summary, temporary scarcities of important farm products have obscured the effects of restricted consumer buying power, but the effects of restricted buying power will continue long after market supplies return to more nearly normal levels.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278/5-58/15,350

PERMIT NO. 1247

Of course, most 1958 crops are not yet harvested. Some aren't even planted. But crop prospects generally are good--very good--according to official USDA reports.

Some of the crops in the southern states are important exceptions. Cotton and corn planting are late, and in many areas much replanting must be done because of excessive rains.

Pasture and hay. It looks like another big year for livestock feed. Pasture conditions nationally on May 1 were 4 percentage points better than last year--and the best since 1921. Hay prospects were 2 percentage points better than a year before--and the best since 1922. Compared with last spring the most improvement is in the range country of the Great Plains and the Rocky Mountains.

In Illinois pasture conditions were 4 percentage points below last year, and hay prospects were 1 percentage point below.

Wheat. Conditions on May 1 pointed to a winter wheat crop of 1,010 million bushels, or 43 percent more than last year. The prospective national average yield is 24.0 bushels an acre, well above the previous record of 22.4 bushels set only last year. Illinois has prospects for an average yield of 29.0 bushels an acre compared with only 21.0 in 1957. Kansas, which harvested only 100 million bushels in 1957, now has a prospect for 218 million bushels.

No official estimate of the spring wheat crop is available, but it could easily be 250 million bushels. This would make a total production of 1 1/4 billion bushels. Add a carry-over of 880 million bushels of old wheat, and the supply for the 1958-59 year will be 2.1 billion bushels.

Use and export probably will take about 1.0 billion bushels, leaving 1.1 billion for carry-over on July 1, 1959. This amount would exceed the previous record carryover of 1956 by some 60 million bushels.

This supply situation puts heavy pressure on prices. Price support for the 1958 crop will average \$1.78 a bushel, down from \$2.00 in 1957 and 1956. Prices are expected to sag 20 to 30 cents below the support level at harvest time.

Egg production. Farm flocks laid 5 1/2 billion eggs in April. This was 3 percent less than one year before, and the smallest April lay since 1941. Egg production since January 1 has been 4 percent less than it was last year. Prices recently were 7 cents a dozen higher than at the same time in 1957.

Production of egg-type chicks this year apparently was only about 7 percent above 1957, and was 10 to 12 percent below either 1956 or 1955. Production of replacement chicks does not appear to be excessive, considering the large number of older hens that should be replaced.

Milk production. Farmers have reduced their cow herds by 3 percent in the past year but get 3 percent more milk per cow. Milk production in April totaled 11.4 billion pounds, the same as a year ago, but 8 percent above the 10-year average for the month. Illinois is not holding its share of the nation's milk market. Illinois milk production in April was 7 percent below April of the year before and 1 percent less than the 10-year average. Unemployment is slowing sales, and purchases for price support are about the same as they were a year ago.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278/5-58/15,350
PERMIT NO. 1247

Recent prices of livestock were the highest in several years. This week we quote explanations and forecast from a recent publication of the USDA.

"The price strength was due to a combination of (1) delayed marketings for slaughter following big feed crops, and (2) a withholding of breeding stock for herd expansion. Because of these factors, which were true of all three species, livestock slaughter in January-April averaged about 9 percent below 1957. Also, demand for meat has held up well, despite some decline in employment and consumer income.

"The delay in marketings is temporary and will end soon. By late April lamb and hog slaughter had climbed above last year, and fed cattle marketings had begun to rise. By mid-summer hog slaughter will be appreciably above last year, and it will be moderately above throughout the second half of 1958. Fed cattle are expected to increase further in late spring, and they too will probably exceed a year earlier in the second half.

"These upturns in supply will bring some reductions in prices. But the drop is not expected to be great, chiefly because continued withholding of breeding stock...will prevent large changes in supply. Increases in...(numbers)...during 1958 will be fairly sizable for hogs and sheep. The...(numbers)...of cattle on farms might increase slightly...(this year)...and if this occurs it will end the cyclical decline after two years, the shortest on record.

"Prices of hogs may remain fairly steady until mid-summer, when they normally are highest, then decline. Their total fall reduction will not be large, as the expected increase of 5 to 6 percent in the 1958 spring pig crop...(was)...largely confined to December-February.... By late fall hog prices will probably not be far below the lowest price received last fall.

"The 1958 fall pig crop may increase 7 to 10 percent, and when marketed in the spring of 1959 will bring considerably lower prices than this spring. But prices probably will still be favorable

(Continued)

in relation to prices of corn, and profitable to most hog producers. There is more danger of a severe price decline for hogs farrowed in the spring of 1959 than for those of this fall.

"Rising prices for hogs the past year continue a record of great price variability. Since the end of the war, prices to producers have successively advanced to more than \$27.00, declined below \$15.00, advanced again to above \$26.00, declined to \$10.60, and have now risen to more than \$20.00.

"These variations are damaging to producers, marketers and consumers, all of whom desire more stability in both supply and price. One of the goals of the hog industry, as of the cattle industry, should be to reduce the amplitude of cyclical swings."

The above quotations are taken from a recent publication of the Agricultural Marketing Service of the United States Department of Agriculture. They reflect the best judgment of competent men in the Department.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278/5-58/15,450
PERMIT NO. 1247

Recent prices of corn and oats were near those of a year earlier. This price strength is interesting in view of the greater supplies, lower price supports and weaker business situation. Only one grain market factor, prices of livestock and eggs, is stronger than last year.

Excess stocks of feed grains are still increasing. Total carryover at the end of this crop marketing year will be around 62 million tons, one-fourth more than the year before. Probably about one-third of this carryover could be called normal, and two-thirds excess. The excess will be around 40 million tons, or enough to feed all of our hogs for a year.

The corn carryover alone will be around 1,600 million bushels, about 180 million more than last fall. The corn carryover will equal about half an average crop.

Less corn has been placed under price support this year than last, but the total of all feed grains placed under price support during the year will be a new record high.

Through April 15, 302 million bushels of corn had been put under price support. This was only three-fourths as much as had been placed under loan to the same date a year ago. Of this amount, 120 million bushels were put under the \$1.10 support for non-compliance corn. In Illinois, farmers could pay off their loans on such corn and sell at a profit of a few cents a bushel. Most of it, however, is probably in Iowa, Nebraska and Minnesota, where market prices are not high enough to cause farmers to redeem it.

A little less than 400 million bushels of corn is expected to be placed under price support this year compared with 477 million last year. The total amount of all feed grains placed under price support this year is estimated at 23 million tons. The amount last year was 17 million tons, and the previous record high was 18 million tons, placed under loan two years ago.

(Continued)

Disappearance of corn during the first half of this marketing year is estimated at 2,025 million bushels, practically the same as a year ago. Less was used in this country, but more was exported. For the rest of the marketing year, domestic use may be a little more than last year, while exports may be less.

The accumulation of sorghum grain is even greater than the accumulation of corn. Where the carryover of corn is expected to increase by around 180 million bushels, the carryover of sorghum grain seems likely to increase by around 220 million bushels. Total carryover of sorghum grain will be around 300 million bushels, or considerably more than half of the crop of 562 million bushels produced last year.

The large accumulation of feed grains under price support this year has supported market prices. This support will be reversed whenever government stocks are reduced. Present price levels could probably be maintained if pork and egg production were not at such low levels.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-5/58-15,800
PERMIT NO. 1247

For its size, the present business recession is probably the most talked about in history. In spite of, or because of, this great amount of talk, the basic causes and nature of the recession are not generally understood. It may be well, therefore, to review developments leading to the recession and to list some little-observed, but basic, facts about it:

1. During World War II a vast amount of money was created and put into the pockets and bank accounts of the people. The amount of currency in circulation went up from seven billion dollars in 1939 to 28 billion dollars in 1945. During the same time, bank deposits swelled from 57 billion to 148 billion dollars.

2. Savings increased greatly during the war. During four war years the accumulation of personal savings amounted to about 30 billion dollars a year, ten times the prewar rate. Business savings--undistributed corporate profits--went up from below zero before the war to an accumulation of 25 billion dollars at the war's end.

3. Many needs and wants accumulated during the war. Individuals and families wanted new automobiles, houses, furniture, household appliances, etc. Businesses wanted new factories, stores and equipment. The desire and ability to spend created full employment, with two minor recessions, for 12 years.

During this 12-year spending spree many wants were satisfied and--more importantly--large debts were accumulated:

1. Business spent over 300 billion dollars for new plants and equipment. Capacity for producing manufactured items was increased about 50 percent. Corporate debt increased from 95 billion to 210 billion dollars.

2. Thirteen million families built or bought new houses, three times as many as in a like period before the war. The debt on homes increased from 19 billion to 105 billion dollars.

(Continued)

3. During the same 12 years the American people bought 60 million new cars. Automobiles on streets and highways increased from 25 million in 1946 to 57 million in 1957. We now have one car for every three persons (everyone could ride in the front seat at the same time). Auto buyers now owe 15 billion dollars in installment payments on their cars compared with almost nothing at the end of the war.

4. Families bought large amounts of new furniture, appliances and other things--many on "easy" credit. Consumer debt now totals about 25 billion dollars, not counting what is owed on homes and automobiles. This debt is five times as large as it was when World War II ended.

During this long spending spree many families got over their heads in debt. In recent months they have slowed up their buying. Businesses have cut their spending even more than families. But debts have been reduced only slightly. People are being urged to buy. But whether families and businesses are willing to take on more and bigger debts remains to be seen. If they are not, then the recession will continue for at least several months, even though there is increased production in some industries, such as steel.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-6/58-15,800
PERMIT NO. 1247

Prices for the 1958 wheat crop seem likely to follow a typical seasonal pattern. In a typical pattern, prices dip 20 to 30 cents below the support level in June or July, then rise to within a few cents of the support and hold at that level until near the next harvest.

The price support level will be about 18 cents lower than the \$2.00 support in each of the two previous years. Market prices may average lower in relation to the loan level than they have averaged in recent years. This is because the crop is larger, more of it is ineligible for price support, the export demand has decreased and our own business prospect is not so bright as it has been in most recent years.

The 1958 wheat crop is estimated at 1,270 million bushels, one-third more than last year. Thus wheat producers will get more money for their crop than they did last year, even though the price per bushel is lower. The total value of the crop (less seed) will be over 2 billion dollars, about 20 percent more than last year.

With good yields, production costs will be low--below \$1.00 a bushel on efficient farms in the big wheat states. Producers with adequate acreages will make good incomes, but many farmers do not have enough land to make good use of their skill, time and machinery.

Illinois has a prospect for about 50 million bushels of wheat. This would be over one-third more than last year and about one-fifth more than the 10-year average. Acre yields are higher in Illinois than in the wheat belt, but costs of production are also higher, mostly because of the higher value of land.

Illinois wheat is of two distinct market types--soft red winter and hard red winter. The soft wheat is produced mostly in southern and eastern Illinois, while hard wheat is produced north of St. Louis and west of Springfield.

(Continued)

Production of soft red winter wheat will be larger this year than last, but probably less than average. The leading producing states are Illinois, Indiana and Ohio. Production of soft red wheat this year will total about 185 million bushels, one-fifth more than last year, but a little less than average.

The wheat surplus, which has been shaved a bit in the past two years, may swell to a new record high by next summer. Carry-over of old wheat on July 1 will be around 875 million bushels, which would be 4 percent less than last year and 15 percent less than the all-time high of 1,036 million bushels three years ago.

A new crop of 1,270 million bushels would make a total supply of 2,145 million bushels. That amount would be 5 percent more than the previous record supply in the 1956-57 crop year. Of this supply about 480 million bushels will be used for food, 60 million for seed, 50 million for feed and perhaps 385 million will be exported. That would make a total disappearance of 975 million bushels and leave a carry-over on July 1, 1959, of around 1,170 million bushels, a new record high.

Our current wheat production is about double our needs for food, seed and feed. The excess is exported at less than U. S. prices. This situation is destructive of our soils, is costly to taxpayers and creates resentment against us among Canadian and other foreign wheat producers.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

A handwritten signature in cursive script that reads "Louis Bibb".

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/58-15,800
PERMIT NO. 1247

The outlook for poultry and eggs is mixed: turkeys are good, eggs fair, and broilers poor.

TURKEYS. The turkey poult hatch from January through May was about 10 percent smaller than last year. Total production for the year will also be down around 10 percent, since the principal hatching season is about over. The amount of turkey in storage is about the same as at this time last year, but is moderately above that in most previous years.

The reduction in supply may permit average prices this fall to exceed those of a year earlier by one to three cents a pound.

EGGS. Egg production from January through May was 3 percent less than one year before. But production was only 1 percent less than year-before levels in May, and it is likely to exceed 1957 levels by October. Egg production now appears likely to be moderately larger this fall and winter than it was a year earlier.

From last October through May, prices of eggs averaged about five cents a dozen higher than prices of 12 months earlier. We are now in a season of decreasing production and usually rising prices. Peak prices this year are expected in September or October. The length of the seasonal rise in prices may be shorter this year than it was in 1957, because the spring peak of production came later and the fall increase will start earlier. Prices during the fall and winter seem likely to average four or five cents lower than they were last year.

Number of layers now on farms is estimated to be 3 percent less than one year before. A larger than usual share of these layers are older hens and should be replaced. Farmers are raising about 8 percent more egg-type chickens than last year's small production. The total laying flock for next winter will be about the same as in 1957-58, but production per layer will be slightly larger.

(Continued)

BROILERS. Production of broilers during the first half of this year was about 12 percent larger than the year before. Even so, prices were equal to or a little higher than those of 1957.

Supplies in prospect for July-September are 20 to 25 percent greater than in 1957. Prices are not likely to be sustained at last year's levels, but are expected to range one to three cents lower.

During the first half of this year, shortages of other meats diverted some consumer demand to broilers. The unemployment situation, too, may have boosted the demand for broilers, since they were a good buy for families with reduced incomes.

While the increase of 12 percent in supplies in the first half of this year was sold without price sacrifices, prices may have to be cut substantially to sell the greater increase in supplies in prospect for the next three months.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/58-15,800

PERMIT NO. 1247

The future of dairy farming can be visualized by studying present trends. Note these important developments:

1. In the past ten years, the number of farms with milk cows has been reduced by about one-half--and even more in some midwestern states. This reduction does not mean that half of the dairy-men have been forced out of business. Rather, it reflects the fact that many farmers who formerly kept a few cows as a sideline have quit milking.

2. In the past ten years, farmers staying in the dairy business have about doubled the size of their herds. Here again this increase does not mean that the farmer who had 20 cows ten years ago now has 40. But many of those who had 15 or 20 cows now have 25 or 30. This is a genuine self-help program used by many dairy farmers. The main thing that has been responsible for doubling the average size of the herd, however, is a cut in the number of farms having a few cows as a sideline.

3. Despite the increase in average herd size, the total number of milk cows has been cut 20 percent since 1945. Milk cow numbers have gone down every year except in 1952 and 1953. (In those two years the price of milk was propped at 90 percent of parity, while prices of beef cattle hit the skids. Instead of reducing cow numbers by 2 percent a year as in other recent years, farmers added 2 percent a year.)

4. Average milk production per cow has increased about 35 percent since 1944. Increases ranged from 1 to 5 percent a year except in 1951, when there was little change. Farmers are getting more milk per cow because they are (a) upgrading their herds, (b) feeding better roughages, and (c) feeding more concentrates.

So far this year there is no apparent increase in milk production. This probably reflects the high prices for slaughter cattle, which encourages close culling of dairy herds and production of beef in preference to dairying.

(Continued)

Unemployment seems to be trimming sales of fluid milk in some markets. Sales seem to be up less than population. Use of butter is about the same as in 1957. Consumption of cheese shows a fair increase, probably because of the sharp rise in prices of most meats.

Average prices received by farmers recently were about 17 cents a hundred pounds lower than the year before. This decrease equals the reduction in price support for manufacturing milk. Prices were not reduced in all markets.

The level of price support was reduced on April 1. During April and May, the government bought for price support butter and cheese representing 886 million pounds of milk. This was only about two-thirds as much as was bought a year before.

Purchases of nonfat dry milk amounted to 227 million pounds, half again as much as in the same two months of 1957. The increased purchases this year probably reflect the operation of new plants erected to produce nonfat dry milk.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-6/58-15,800

PERMIT NO. 1247

The recent USDA pig crop report answered farmers' questions about how much and how fast hog production is being increased. The report showed that farmers saved 59.7 million spring pigs, only 2 percent more than in 1957. This increase is little more than enough to match the increase in population.

Practically all of this small increase was in January and February farrowings. (All pigs farrowed from December 1 through May are counted as spring pigs.) Farrowings in March and April were slightly less than in the previous year. These changes are a continuation of the trend toward more uniform year-round production of hogs and toward earlier farrowings.

Biggest month for farrowings was March, with 25.6 percent of the total for the six months. In the 10 years 1947-56, April was the big month, with 31.4 percent of the total spring farrowings.

The report indicates that market supplies during July-September will be considerably larger than last year, but that supplies during the fall may be slightly smaller. Reports from farmers in nine leading producing states showed the number of hogs in different age groups as follows: 3 to 6 months old, 12.2 million, 17 percent more than last year; and under 3 months old, 24.8 million head, 4 percent less than last year.

The number of sows farrowing each month was as follows (1,000 head, with year-before figures in parentheses): December, 429 (391); January, 821 (709); February, 1,527 (1,325); March, 1,819 (2,008); April, 1,741 (1,827); May, 1,049 (1,017).

Looking ahead, farmers reported that they planned to have 5.9 million sows farrow this fall (June-November). That would be an increase of 13 percent from last year. Allowing for the upward trend in number of pigs saved per litter, this points to a total fall pig crop of about 41.5 million head, 14 percent more than last year.

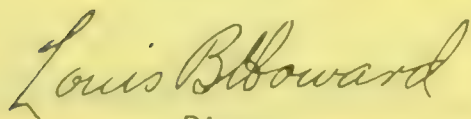
(Continued)

Illinois farmers saved 3 percent more spring pigs this year than in 1957. Other states increasing production included Missouri, 4 percent; South Dakota, 17 percent; Nebraska, 12 percent; Minnesota, 6 percent; and Wisconsin, 7 percent. Iowa stood pat. Indiana cut back 3 percent and Ohio, 7 percent.

High-priced hogs and low-cost feed encourage feeding hogs to heavy weights. We have no assurance, however, that the high prices can be maintained through this summer. Consider these facts: (1) Hog marketings usually increase after July 4. (2) January-February farrowings were the largest on record--16 percent more than last year and 46 percent greater than the 10-year average. (3) Market supplies of broilers will be 20 to 25 percent larger during July-September than they were last year. (4) Cattle have been held back for about a year, and marketings may increase soon. (5) There is a lot of talk about business recovery, but unemployment is around 6 million and is the largest since before World War II. Some 10 or 12 million families must spend cautiously because of loss of wages at some time this year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-7/58-10,800
PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Present prices of livestock are unusually high in relation to prices of corn and other feeds. This unbalanced price situation for hogs, cattle, and lambs is not likely to continue for long. Either prices for livestock will decline, or prices of corn and other feeds will rise. Since feed is being produced faster than it is being used, substantial price advances seem unlikely. Therefore, we expect to see marked declines in livestock prices over the next three or four years.

Note the following abnormal relationships. (All comparisons of current relationships are for June 1958, and are based on 10-year June averages, 1947-1956.)

The hog-corn price ratio was 18.2 compared with the 1947-1956 average of 13.2. The hog-corn price ratio is the number of bushels of corn equal in value to 100 pounds of live hogs. Thus, 100 pounds of hogs paid for 5 bushels more corn than usual. A 240-pound hog paid for an extra 12 bushels.

The beef cattle-corn price ratio was 18.0 compared with an average of about 13.3. This beef cattle-corn price ratio is the number of bushels of corn equal in value to 100 pounds of beef cattle (all classes and grades). Thus, 100 pounds of cattle would pay for nearly 5 bushels more corn than usual, and a 1,100-pound steer would pay for 52 bushels more.

The lamb-corn price ratio was 17.1 compared with 14.8. Thus, prices of lambs are also higher than usual in relation to corn, but not as high, relatively, as are prices of hogs and cattle.

In contrast with prices of meat animals, prices of dairy products are not far from their long-time relation to prices of feed.

The butterfat-feed price ratio was 23.5 compared with a 10-year average of 20.9. The butterfat-feed ratio is the number of pounds of concentrate dairy rations equal in value to 1 pound of butterfat.

(Continued)

The milk-feed price ratio was slightly more favorable to milk producers than the 10-year average. The June figure was 1.25 compared with the average of 1.12. The milk-feed price ratio is the number of pounds of concentrate dairy rations equal in value to 1 pound of whole milk.

Prices of eggs and poultry were lower than average in relation to feed prices in June. The egg-feed ratio was 9.7 compared with the average of 10.0. This ratio is the number of pounds of poultry feed equal in value to 1 dozen eggs. The farm chicken-feed ratio was 4.6 compared with an average of 6.0. This ratio is the number of pounds of feed equal in value to 1 pound of chicken. The broiler-feed ratio was 4.2 compared with the 10-year average of 5.3, while the turkey-feed price ratio was 7.4 compared with the average of 8.7.

The poultry- and egg-feed ratios are permanently lower than in the past because of increased efficiency in the conversion of feed to eggs and poultry.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Bidward
Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-7/58-10,800
PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Crop prospects, nation wide, on July 15 were about the best ever for the date. Total crop production appeared likely to equal or exceed last year's all-time record, even though the acreage planted was the smallest in 40 years.

The only large areas of poor crops were along the Canadian border in Montana and North Dakota and in northern Michigan. In some other areas crop damage from flooding and ponding has been severe, but this is offset by better than usual crops on higher ground.

Wheat. Wheat is the BIG crop this year. Total production is estimated at 1,343 million bushels. This is about 40 percent more than last year and only 1 percent short of the all-time record crop produced in 1947. It is about 50 percent greater than average harvests before price supports and "production controls" were begun 25 years ago. While production has increased some 50 percent, our use of wheat for food has not changed materially.

CCC stocks of wheat at the first of July totaled about 810 million bushels, up 1 percent from a year before. Excess stocks of wheat, which have been squeezed down a bit in the past two years, will increase to a new record high by July 1, 1959.

Corn. Production of corn, the nation's key crop, was forecast on July 10 at 3,311 million bushels. This amount would be 3 percent less than last year. The national average per acre yield was forecast at 45.2 bushels. Such a yield would be the third largest on record, being 1 1/2 bushels less than the 1957 yield and 1/2 bushel less than that of 1956.

Iowa, Nebraska and Minnesota are contributing heavily to the 1958 corn crop prospects. The Iowa crop was forecast at 597 million bushels, 12 percent more than the 10-year average. Expected per acre yield in Nebraska is 40 percent greater than average. Minnesota has both above average acreage and yield.

Stocks of old corn on farms on July 1, estimated at 1,026 million bushels, were 9 percent smaller than one year before. However, uncommitted CCC stocks were around 1,025 million bushels,

or 30 percent greater than last year. Thus CCC stocks, farm stocks and new crop prospects add up to 5,313 million bushels, only 1 percent less than last year.

Oats. The 1958 oat crop was estimated at 1,255 million bushels, 4 percent less than the crop of 1957. Average acre yield was 39.3 bushels, 2 bushels more than last year and a new record high.

Stocks of old oats on farms July 1 were estimated at 275 million bushels, 42 percent more than one year before. Farm stocks plus new crop added up to 1,530 million bushels, 2 percent more than the previous year.

Sorghum. The acreage of sorghums is 20 percent less than last year, but acre yields have not yet been estimated. Farm stocks were estimated at 28 million bushels, only 5 percent of the record crop harvested last fall. CCC, however, had 163 million bushels, nearly four times as much as the year before. If 1958 acre yields equal those of last year, the total supply of sorghum grain will be near the record high for 1957-58.

Soybeans. Acreage is up 12 percent from last year, but there is yet no official estimate of acre yields or total production. Farm stocks on July 1 totaled 27 million bushels, 10 million less than one year before. Uncommitted CCC stocks were about 15 million bushels, 11 million more than the year before.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bidward
Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

Ill. EE278-7/58-10,800
PERMIT NO. 1247

The most important livestock report issued in July is the quarterly report of cattle on feed. This USDA report for the 13 leading states showed that farmers on July 1 this year were feeding 4,269,000 head of cattle and calves. This number was 16 percent more than last year, which was the previous record high.

Increased cattle feeding is reported for both the corn belt and the west. Nine corn belt states were feeding 3,258,000 head, 15 percent more than the year before. The four leading western states were feeding 1,011,000 head, 19 percent more than last year.

Longer feeds this year. The big increase is in moderately heavy cattle, about three-fourths of the increase being in cattle weighing over 900 pounds.

The heavier average weights this year reflect some holding-back of cattle to convert more feed into beef. The number of cattle that had been on feed less than three months was up only 9 percent, while the number on feed over three months was up 25 percent, and the number on feed over six months was up 16 percent.

Tonnage up one-fifth. We made an estimate of the total tonnage of cattle in feedlots and judge it to be about 20 percent greater than last year. As might be expected, most of this increase consists of steers. The total number of steers was reported as 2,922,000, or 18 percent more than the year before. Heifers on feed numbered 1,164,000, up 12 percent. Calves on feed were listed at 170,000 head, 55 percent more than in 1957.

Marketings to be delayed. The pay-off will be when farmers market their cattle. Although the cattle on feed now are already heavier than they were last year, farmers plan to feed them longer and market them later than they did last year. Most of the increased number of cattle in feedlots are headed for market after October 1.

(Continued)

Marketing intentions were reported as follows: July, 805,000 head, 41,000 more than in 1957; August, 1,057,000 head, 141,000 more; September, 1,043,000 head, 79,000 more; and October and later, 1,364,000 head, 327,000 more.

The supply of fed cattle available for market will not increase quite so much as the number on feed. The reason is that part of the increase in numbers counted in feedlots at any one time reflects the longer average feeding period this year. In the same way the tonnage of fed cattle marketed will not increase so much as the tonnage in feedlots. Nevertheless, the supply of fed cattle available for market seems likely to be considerably larger this fall than it was a year ago.

Price prospects. The record tonnage of cattle in feedlots suggests that price premiums for fed cattle will be low this fall. The principal support for the general cattle price structure will have to be a continuation of the shortage of cow beef. Recent prices of all classes and grades of slaughter cattle were \$3 to \$5 higher than those of last fall. It seems doubtful that these higher prices can be maintained in view of prospective increases in marketings of poultry, hogs and fed cattle.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bidward

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-7/58-10,800

PERMIT NO. 1247

Supplies of five major crops on July 1 were at new record highs. These crops were corn, wheat, sorghum grain, barley and soybeans.

Corn. Stocks of corn were officially estimated at 2,090 million bushels, which was 123 million, or 6 percent, more than the previous record for July set the year before. These stocks are equal to two-thirds of the crop harvested for grain last fall. It now appears likely that the carry-over of corn next October 1 will be about 1,500 million bushels, up 7 percent from the record high last October.

Stocks of free corn (not owned by CCC or under price support) appeared to be a little over 600 million bushels, perhaps 25 million more than a year earlier. Furthermore, a large part of the corn under the low (\$1.10) loan--139 million bushels--may be redeemed and sold if prices remain substantially above the loan level. On the other hand, the tighter CCC sales policy this year reduces price-depressing forces. CCC can now exert a considerable amount of influence on the price of corn by accepting or rejecting bids submitted under the payment-in-kind export program.

Wheat. The supply of wheat for the 1958-59 marketing year will be around 2,225 million bushels, about 20 percent more than last year and 10 percent more than the previous record supply of two years ago. The carry-over of old wheat on July 1 was estimated at 881 million bushels, 3 percent less than last year and 14 percent less than the record high of two years earlier. The new crop was estimated at 1,343 million bushels, 42 percent more than last year and only 1 percent short of the record crop produced in 1947.

Prices of wheat have held up better than some market observers expected and have been higher than usual in relation to the price support level. This suggests that the seasonal price rise this year may be less than usual.

(Continued)

Sorghum grain. Stocks of sorghum grains on July 1 were 318 million bushels, over three times as much as the year before and almost three times the amount on hand two years ago. These are the only years of record. About one-half of the sorghum grain on hand July 1 was under price support loans.

Barley. Carry-over of barley on July 1 totaled 169 million bushels, about one-third more than carry-overs of the past three years, each of which was at or near the record high. The new crop was forecast at 423 million bushels, only 3 percent off the record crop harvested last year.

Soybeans. Stocks of soybeans on July 1 were estimated at 107 million bushels. This was nearly one-fourth more than stocks of the year before, the previous record high. Rate of use is also at a record high, and carry-over next October 1 will be small, probably only 15 or 20 million bushels. Such a carry-over would be only 3 percent of the 1957 crop; last year it was only 10 million bushels.

The first official estimate of the new crop will be released on August 9. The acreage now growing is about 13 percent larger than last year, but recent rainy weather has not been the best for bean production.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Howard

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-7/58-10,900

PERMIT NO. 1247

Numbers of cattle and calves suitable for feeding will be at or near an all-time high this fall.

The important unanswered questions are, "Who will get them and at what prices?"

Calves. The 1958 beef calf crop appears to be a little larger than that of last year. This year's calf crop in the great plains and western states is estimated at 17.8 million head. This is 2 percent more than last year, and only 5 percent short of the all-time high of four years ago.

Yearlings. Most of the yearlings now on hand were calves on January 1. Last winter the government estimated the number of beef calves on farms and ranches at 18.7 million head. That number was essentially the same as one year before, and only 2 percent less than the all-time record high two years before. It appears that the slaughter of such cattle has been small this year. Consequently, the supply of yearlings now may well be at least as large as it was at the peak two years ago.

So much for the supply side of the market for stocker and feeder cattle and calves. Now we turn to the demand side of the market.

Demand. The demand for stockers and feeders comes from anyone and everyone who wants to own them. This includes the rancher who produced them, other ranchers who want them for grazing, farmers who want them for feeding, and packers who want them for slaughter.

One important, but often not understood, fact about prices of feeder cattle is that they swing more widely than do prices of slaughter cattle. Thus, when prices of slaughter cattle are high in relation to feed costs, prices of feeder cattle will be even higher. And when prices of slaughter cattle fall in relation to feed costs, prices of feeder cattle fall more. There are, of course, short-time exceptions to this rule.

Prices of slaughter cattle were on an uptrend from early 1956 to early 1958. Feed costs declined, making feeding quite profitable. Prices of feeder cattle and calves were bid up more than prices of slaughter cattle.

(Continued)

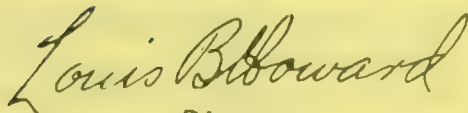
Prices of slaughter cattle have been declining for nearly six months, but prices of stockers and feeders have not followed. The following elements have combined to hold up prices of stocker and feeder cattle:

1. Profits from cattle feeding have been very good until recently.
2. There has been a strong demand from ranchers for restocking in the southwest.
3. Farmers in the western corn belt and the eastern great plains have been loaded with feed.
4. Packers have been willing to pay high prices for two-way cattle because of the shortage of cows for slaughter.

It appears that most of these price supporting forces are past their peak strength. A major decline in prices of feeder cattle, however, probably will not come until a substantial number of cattle feeders have lost some money and packers can buy more cows. (Some short-fed cattle marketed recently made little or no profit.)

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-8/58-11,400
PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

The government crop report for August points to total crop production 7 percent larger than the previous record. This record was set in 1948, and equaled in 1956 and 1957. The wheat and soybean crop estimates are at new record highs and corn and oats are at near records.

Some farmers, viewing severe water damage on their own and neighboring farms, may doubt that crops can be as big as government forecasts indicate. This is quite understandable.

While the heavy rains damaged crops in low spots they aided crop development in the much larger remaining areas of the Midwest. Usually water is a limiting factor in crop production in most fields. This year a much larger than usual proportion of the fields have had ample water.

Observations on cross-country flights show that while some communities have been hard hit by flooding and ponding, others have suffered very little damage. The differences are the result of variations in both rainfall and the nature of the land and its drainage.

In the western part of the corn belt and in the great plains, where drouths are common, rains have been ample this year. A drouthy belt has extended across the lake states and northern plains, but these areas are never highly productive.

Corn. The production of corn is forecast at 3,487 million bushels. This would be 2 percent more than last year and only 3 percent short of the all-time record set in 1948.

Soybeans. The soybean crop is expected to be 536 million bushels. This would be 12 percent more than the previous record set last year. It is the fifth consecutive record breaking crop.

Wheat. The 1958 crop is estimated at 1,421 million bushels. This is 50 percent more than last year, and it is 75 percent more than the average harvest before the government started its program to "reduce production to equal demand."

(Continued)

Sorghum grains. Production of sorghum grains is forecast at 496 million bushels. This would be 11 percent short of the phenomenal 1957 crop, but more than double the size of any other.

Oats. The 1958 oat crop is estimated at 1,345 million bushels, or 13 percent more than last year. It is a near record.

Barley. The barley crop is estimated at 453 million bushels, up 4 percent from the year ago record.

Adding up. Total crop production promises to be 6 percent more than the record output first set in 1948 and equaled in 1956 and again in 1957. Feed supplies will be even more abundant than last year, as both carry-overs and crops are larger.

The unprecedented supplies of feed grains (and wheat) will weigh heavily on market prices, put increasing strain on the already overloaded price support program and encourage increased production of livestock.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis Bidward

Director

Penalty for Private Use to Avoid
Payment of Postage \$300

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-8/58-11,400
PERMIT NO. 1247

Usually there is very little talk about the business of producing lambs and wool in Illinois. However, if you insist on bringing up the subject with our associate director of extension he might tell you that the sale of lambs, sheep and wool brings Illinois farmers some \$15 million a year.

This amount is approximately equal to the income received from the sale of chickens, including broilers. It is about double the income received from the sale of apples and peaches combined.

The sheep business has had its share of ups and downs. But prices of lambs and wool have not swung so widely in recent years as have prices of hogs and beef cattle. And no big price swings are expected in the next few years.

Perhaps the outstanding feature of the sheep business in recent times was the decline in production that occurred after World War II. Before 1947 sheepmen produced enough lamb and mutton to provide everyone with around 7 pounds per year. (If you did not eat your share someone else got that much more.)

Since 1949 the supply of lamb and mutton has been only about 4 pounds per person. Prices of lambs went up for a little while, reaching the high 30's in 1951. (In that year both lamb and beef were in short supply, and the Korean War demand boosted the value of lamb pelts into the stratosphere.)

The scarcity and high price of lamb caused many consumers to almost forget about it. Many stores stopped handling it, and this took more consumers out of the market. In a relatively short time lamb was selling down in line with beef, even though the supply was much smaller than before.

Three years ago the supply of lamb and mutton was up to 4.6 pounds per person per year. Since then the supply has declined 5 percent a year, until this year there is only about 4 pounds per person.

(Continued)

Sheep numbers are now increasing, and the supply of lamb chops may keep pace with population for awhile. At the beginning of this year farmers and ranchers had 27,390,000 head of stock sheep, according to USDA estimates. This number was up 3 percent from a year before, but was not much different from the numbers reported each year from 1949 through 1957.

The 1958 lamb crop is estimated at 20,779,000 head. This is 4 percent more than last year, and 7 percent more than the 10-year average. This increase is only moderate, and even it may be offset by the holding back of ewe lambs for breeding. The lamb crop in Texas, the major supplier of feeder lambs, is 14 percent larger than last year, but still 7 percent smaller than the average.

Feeding lambs look like a good gamble this year. Feeder lambs may be cheaper than feeder cattle. Purchase of light lambs seems to offer the best odds. If purchased early they can make cheap gains on pastures or in cornfields. If purchased late there is a better chance for a rise in prices.

The 1958 production of shorn wool is estimated at 240 million pounds. This is 2 percent more than last year but only 4 percent more than the 10-year average.

The sheep business is being squeezed out of the west and is gaining in the corn belt and the east. This is shown by the wool production figures. Production of wool in the 13 western sheep states is 2 percent less than the 10-year average, while the 35 "native" states produced 19 percent more than their average.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois


Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-8/58-11,400
PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Business activity is increasing, but no full-scale boom is in sight. More people will get jobs, but young people entering the labor force will hold the number of unemployed near recent levels. Family income will increase, but we have no assurance that the increase will be spent for food. These seem to be the prospects for the next 12 months.

The seed for each recession is sown in the preceding boom. The recession of 1957-58 began when industrial production outran sales to consumers. When stocks of automobiles and other manufactured items began to pile up, factory workers were laid off. Then businessmen cut their spending for new plants and equipment.

In recent months factory production has increased, but spending for new plants and equipment is still going down.

Total construction activity is holding up well and will continue at a high level for several months at least. The basis for this expectation is that construction contract awards were 24 percent greater in July this year than one year before. Total contracts awarded during the first seven months of this year were slightly higher than last year. Completion of these contracts will keep most construction workers busy for another 12 months.

Most of the five million who were unemployed in recent months were factory workers. They had been making steel, building automobiles and making other durable goods. Steel and automobile production still remains rather low, but other manufacturing has increased. Total unemployment has not been reduced much because so many young people entered the labor force.

Total consumer income sagged slightly from late in 1957 to early 1958. It reached a new record high early this summer and is almost certain to rise further during the remainder of this year. Expenditures for food may not increase correspondingly.

(Continued)

Spending for food has actually increased this year in spite of serious unemployment. There are two possible reasons: (1) as families cut spending for other things, more money was left for food; (2) reductions in supplies of meats, vegetables and fruits forced most families to spend more for food if they wanted to eat normally.

Looking ahead, if consumers buy a lot of new cars and other things "on time," they may have less money to spend for food. But more plentiful supplies of foods--especially eggs, pork, fruits and vegetables--may permit them to satisfy their hunger with a smaller percentage of their budget.

Because of price supports, the business outlook has relatively little effect on prices of crops and dairy products. While prices of livestock may decline in 1959, they are not expected to fall to the low levels of three years earlier. Prospective supplies of meats are well below the record high of 1955-56.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-9/58-11,400
PERMIT NO. 1247

Look to the market for slaughter cows for clues to the cattle price puzzle. At the beginning of this month, prices paid for commercial grade cows averaged around \$19.50 a hundred pounds, or about 23 percent higher than the year before. Prices of lower grades of cows were up even more--26 percent for utility cows and 33 percent for cutters and canners.

Prices of cows are high because the supply offered for sale for slaughter is low. Only 367,000 head of cows were slaughtered under federal inspection in July of this year. This number was 36 percent less than one year before. During the first seven months of this year, only 2,692,000 head were slaughtered, or nearly 20 percent less than last year. Biggest decreases in cow slaughter have occurred in the central and southern great plains and in the west.

Cow beef normally makes up one-fourth to one-third of all beef produced. In a fairly normal year like 1956, it made up 30 percent of the total. It is used largely for hamburger, bologna and similar products. When the supply of cow beef is reduced, processors use more steer and heifer beef in these products. This use substantially increases the demand for steers and heifers. When the slaughter of cows increases to normal, it will remove some of the support for the steer and heifer markets.

There is now no need for any great rebuilding of cow herds as there was 10 years ago, when beef cows numbered only 16 million head. At the beginning of this year, beef cow numbers were estimated at 24.4 million head. This number was 39 percent higher than 10 years ago and only 5 percent short of the all-time record of four years ago.

To be sure, our human population is larger than it was 10 years ago. But population is up only 18 percent, while beef cow numbers are up 39 percent. Thus we are not likely to have a shortage of beef in the next few years such as occurred in the early 1950's.

(Continued)

The last previous build-up of beef cow herds began in 1949 and reached top speed in 1951 and 1952. Farmers began to roll big numbers of cattle to market late in 1952, and beef production jumped nearly 30 percent in one year. That was when cattle prices took their big drop. Prices of choice steers averaged about \$10 lower in 1953 than in 1952.

The scarcity of cows also supports the market for feeder cattle. There are always a large number of cattle that are suitable either for further feeding or for slaughter. When cows are scarce, packers are forced to bid more strongly against farmers for these "two-way" cattle. When more cows are marketed, prices of feeder cattle tumble. Thus the average price of stocker and feeder cattle dropped \$20 a hundred pounds from April 1951 to September 1953.

In summary, by holding back cows farmers and ranchers are providing strong support for their own cattle market. But the support will not be so strong nor last so long as did similar support at the beginning of this decade. Cow numbers now appear to be increasing substantially.

For a year or two, cattle prices will be held down by increasing supplies of competitive meats and then by larger marketings of cattle. In the meantime, it may be well to avoid spending profits from cattle feeding before they are made.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-9/58-11,400
PERMIT NO. 1247

Total crop production jumped 9 1/2 percent this year--and many people who read about it will jump to false conclusions. One of these false conclusions is that production is increasing at a greatly excessive rate.

The fallacy of this conclusion can be seen by analysis of production records in recent years.

Crop production goes by spurts. Total acreages do not fluctuate much, but growing seasons are much more favorable in some years than in others. This year has been one of the best. Growing conditions were exceptionally good in the east, the south, the corn belt, the great plains and the far west.

Record yields. Record per acre yields were set by corn, cotton, soybeans, barley, oats, sorghum grain and spring wheat. The index of average yields of 28 major crops is well above that of any previous year and 41 percent greater than in the base years 1947-49.

New all-time production records are being set by wheat, soybeans, sorghum grain and barley. Corn production is forecast at only 1/2 percent short of the all-time record. The "all-crop" production index is figured at 116. (This index includes 59 leading crops and has a base of 1947-49 as 100.)

Crop production this year is impressive. But let us put it in proper perspective. This year has been exceptional, and it should be compared with other exceptional years--such as 1948.

The new record. The "all-crop" production in 1948 also set a new record--106 percent of the 1947-49 average. That record stood unequalled for seven years. It was matched in 1956 and again in 1957. It was not exceeded until this year.

The "all-crop" production index for this year is only 9 1/2 percent greater than that of the previous record high first set 10 years before. While crop production increased 9 1/2 percent in 10 years, our population increased 19 percent, or twice as much! Thus crop production has not increased at an excessive rate, but only half as fast as population.

(Continued)

Crop summary. The 1958 corn crop is estimated in September at 3,589 million bushels, 5 percent more than last year and only 1/2 percent less than the record set in 1948.

Sorghum grain production is forecast at 579 million bushels, 3 percent more than the 1957 record and 3 1/2 times the 10-year average.

Total feed grain production is calculated to be 6 percent more than last year's record.

The soybean crop is the fifth consecutive record-breaker. Forecast at 561 million bushels, it is 15 percent larger than last year and 89 percent more than the 10-year average.

Wheat production is listed at 1,446 million bushels, 53 percent more than last year and 6 percent more than the previous record set in 1947.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-9/58-11,400

PERMIT NO. 1247

Forecasts of hog prices during the next year range all the way from "as good as this year" to "down 50 percent." Thus a year from now some will say, "I told you so," while others explain why they "missed it a mile."

In the meantime farmers will study the facts that are now available, draw their own conclusions and act accordingly. Here are the basic facts in the outlook:

1. The official September Pig Crop Report showed that farmers in nine corn-belt states were increasing fall farrowings by 17 percent over last year. Thus these farmers were carrying out almost exactly the intentions they reported in June. The fall farrowing figure given in September was only 1/2 percent larger than farrowing intentions reported in June by the same nine states. (These nine states--Illinois, Iowa, Indiana, Minnesota, Ohio, Nebraska, Wisconsin, Kansas and South Dakota--produced 67 percent of all hogs produced in 1957.)

2. Farmers in most other states are increasing hog production much less than 17 percent--probably around 8 percent. This lower production was indicated by the June report of farmers' intentions. If these farmers are carrying out their intentions as closely as farmers in the nine states, the total fall pig crop will be only about 14 percent larger than the crop produced last year.

3. The current fall pig crop is the largest ever farrowed except in the war years 1942 and 1943. In relation to population, however, it is a little smaller than the fall crops in 1950 and 1951, but about 15 percent larger than the 10-year average and a little larger than the crop farrowed in the fall of 1955.

The 1955 fall pigs were sold the following spring and summer for \$12 to \$16 a hundred pounds. Hog prices at that time were on the way up after having sagged to \$10 in December and January. In 1956 hog prices were held down by a record supply of beef--86 pounds per person. The per capita supply of beef totals only 79 pounds this year and is expected to be about the same next year.

(Continued)

4. The supply of pork will average about 60 pounds per person for 1958. It is likely to be about 7 pounds (12 percent) larger in 1959. That increase would provide about the same supply of pork per person as we had in 1955 and 1956. Some forecasters believe that hog prices will drop 3 percent for each 1 percent increase in the pork supply. Thus they expect prices to average one-third lower in 1959 than in 1958. Such a decline would be nearly double that formerly caused by a similar increase in supply. It would put hog prices in a range of \$12 to \$18 in 1959.

This price range seems to be too low for next year, since beef supplies are expected to remain 8 to 10 percent below 1956 peak levels. In any event, the supply and price of feeds seem likely to favor further expansion of hog production in 1959.

5. The September Pig Crop Report showed that farmers in the nine corn-belt states listed expect to increase December-February farrowings by 20 percent over last year. Later farrowings in these states and total farrowings in other states are not likely to be increased as much as 20 percent. All together, the increase in spring farrowings seems likely to be 12 to 15 percent--or about the same as the increase in fall farrowings. Such an increase would not be excessive, considering the favorable hog-corn price relationships of the last two years and the present low level of hog production.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-9/58-11,400
PERMIT NO. 1247

The general level of price support for the 1958 corn crop will be \$1.06 a bushel. This will be for farmers who planted in excess of their corn acreage allotments.

Price support for farmers who planted in compliance with their corn acreage allotments will be at least \$1.36 a bushel.

Both support levels are 4 cents lower than for the 1957 crop of corn. The \$1.36 level would be raised if parity prices rise substantially.

The support levels are about 3 percent lower than last year, but the prospective corn crop is 5 percent greater. Thus, if all the corn were sold at support levels, the total return would be 2 percent larger this year.

Many corn producers this year may have another advantage--drier corn, so less price discount. Last year many farmers, particularly in the western corn belt, had wet corn. It had to be sold at a substantial discount or dried at considerable expense.

Corn matured rapidly in September, but a little later than usual. Most of the corn in Illinois was safe from frost by October 1. Most of the exceptions were in the extreme northern counties, where many fields were two weeks later than usual. Corn was also a little late in Minnesota, Wisconsin, Indiana and Ohio.

The corn crop in Iowa, Nebraska and Missouri matured about on schedule. About 90 percent was dented by September 20, and most was frost-safe by October 1.

The September estimate of the 1958 corn crop was 3,487 million bushels, only 1/2 percent short of the record set in 1948. Later estimates seem likely to be higher, and to place corn production at a new record high.

(Continued)

Soybeans. The soybean crop matured slightly later than usual, but it was mostly safe from frost damage by October 1. Harvest began about mid-September in central and southern Illinois and in Missouri and Indiana. Yields from early-harvested fields were good.

The soybean crop was estimated in September at 561 million bushels. This is 17 percent more than last year. Carryover stocks are still small, probably less than 5 percent of the 1957 crop. The total supply appears to be a little more than will be used and exported, but in several previous years apparently excessive stocks have been worked off by the end of the marketing year.

The typical price support level in Illinois will be around \$2.19 a bushel. Recent prices have been around 15 cents lower. This amount, which includes interest and taxes, is about equal to the cost of storing beans on the farm for eight months. Storage in an elevator would cost about 1 1/2 cents a month, or 12 cents for eight months.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-10/58-11,400

PERMIT NO. 1247

Farmers in the corn belt are investing around a billion dollars in feeder cattle this fall. These farmers will supply plenty of fine beef for consumers, but they have only a gambler's chance of making any profit for themselves.

Farmers have been paying \$25 to \$30 a hundred pounds for yearlings and \$30 to \$35 for calves. These prices are one-fourth to one-third higher than last year and the highest since the big bulge in 1951. In the fall of 1951, farmers paid over \$30 for yearlings and around \$40 for calves.

Feeder cattle prices this fall are much higher in relation to the fat cattle market than they were in the fall of 1951. At that time choice slaughtersteers averaged over \$36 a hundred pounds, or nearly \$10 higher than recent prices.

Calves costing \$34 in the West will have to bring \$26 to \$28 at market next fall to pay for feed and other expenses. This is a negative margin of \$6 to \$8 a hundred pounds. Good-to-choice yearlings on a long feed should break even on a negative margin of \$1 to \$3. If short-fed they will have to bring cost price in order to pay expenses. Common-to-medium short-fed steers will have to bring \$1 to \$3 more than their cost prices in order to pay their room and board bill.

The supply of fed cattle may be about the same next year as it has been this year. Farmers and ranchers may hold back heifers, but there will be offsetting factors:

1. The 1958 calf crop in the range states was 3 percent larger this year than last.
2. Reduced calf slaughter, down one-fifth in the first half of this year, may leave more yearlings for feeding and slaughter, as well as for restocking.
3. More stockers and feeders are being imported from Canada and Mexico.
4. Excellent pastures and feed crops this year tend to hold cattle on farms and ranches for a few extra months, but this tendency may be less pronounced next year.

The supply of beef declined from 86 pounds per person in 1956 to about 78 pounds this year. Most of this decline has occurred in the past 12 months as farmers reduced marketings of cows. The

beef supply may go down slightly in 1959, but it will remain far above the meager 56 pounds supplied to consumers in 1951.

The supply of competitive meats, especially pork, will increase substantially in 1959. Consumers are getting only about 60 pounds of pork this year, the same as in 1954 and otherwise the smallest in 20 years. Next year they may get around 67 pounds, the same as in 1955 and 1956. The supply of poultry meat, about 34 pounds per person this year, will probably be 36 or 37 pounds in 1959. The supply of lamb and mutton will be around 4 pounds, the same as this year.

Consumer demand for beef is not likely to increase much in 1959. Consumers may get more money, but pork will fill up the grocery sacks more often than in 1958. And, if families spend too much for other things, they will often pass up beef in search for cheaper foods.

Prices of choice steers at Chicago have averaged close to \$24 in each of the past five years. This year the average for the first nine months was almost \$28. Most of the major price-lifting forces, however, now seem to be at or past their peak. This price outlook calls for giving special attention to getting low-cost gains and preventing losses from disease and accidents.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-10/58-11,400
PERMIT NO. 1247

Crop production set a lot of new records this year. Total production will be about 10 percent larger than the previous record, which was set 10 years ago and equaled in 1956 and 1957. Most of the increase is accounted for by record outputs of a few crops--sorghum grains, soybeans, barley, wheat and corn. Price supports and other government programs have stimulated the production of all of these crops.

Sorghum grain production this year is estimated at 607 million bushels. This crop is 5 percent larger than the previous record set just last year and 327 percent larger than the five-year 1946-50 average. There are no acreage allotments for sorghum grain. The price is supported through loans at \$1.83 a hundred pounds. Nearly one-third of the 1957 crop was placed under loan and delivered to the CCC.

Soybean production is estimated at 573 million bushels. This is the fifth consecutive crop to break the previous record by a wide margin. It is 110 percent more than the five-year 1946-50 average. Soybeans are about 80 percent feed. There are no acreage allotments. The price is supported at \$2.09 a bushel.

The barley crop was estimated at 466 million bushels, only 2 percent more than the 1957 record crop, but 66 percent more than the five-year 1946-50 average. There are no acreage allotments for barley, and the price is supported at 93 cents a bushel. The Big 3 in the barley business are North Dakota, California and Montana.

The 1958 wheat crop is estimated at 1,449 million bushels. This total is up 53 percent from last year. It tops the previous record set in 1947 by only 7 percent, but is 22 percent over the five-year 1946-50 average. Most wheat is grown under acreage allotments and marketing quotas. This corn is supported at \$1.82 a bushel. Marketing quotas do not apply to farmers producing 15 acres or less or to those who feed all of their wheat. A large number of farmers plant above their allotments,

(Continued)

sell on the open market, pay the penalty for overplanting and still make more money than they would by complying with acreage allotments.

The corn crop is forecast at 3,686 million bushels. This total is only 3 percent more than the previous record crop harvested in 1948, but it is up 8 percent from last year and 19 percent from the 10-year 1947-56 average. Only about 12 percent of the crop in commercial corn areas is grown under acreage allotments. This corn is supported at \$1.36 a bushel. Other corn produced in commercial corn areas is eligible for price support at \$1.06.

Production of several important crops was limited this year by tight controls. Cotton production is forecast at only 11.7 million bales, 17 percent less than the 10-year 1947-56 average. Rice output is only 2 percent over its 10-year average and far below the record set in 1954. The tobacco crop is estimated to be 17 percent less than the 10-year average. The peanut crop is a bit larger than the 10-year average, but far from a record.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-10/58-11,400
PERMIT NO. 1247

Farmers are fattening 12 percent more cattle than they were a year ago, but marketings of fat cattle may not increase that much. Some of this larger count reflects longer stays in feedlots rather than an increase in numbers going in--and coming out for slaughter.

The USDA has estimated the number of cattle being fattened in 13 leading states on October 1 at 3,592,000 head. This total compares with 3,211,000 head one year before and is about one-half percent short of the record high for the date set two years before.

LONGER FEEDING PERIOD INCREASES NUMBERS TO BE COUNTED AT ANY TIME. The longer stays in feedlots this year are shown both by the length of time the cattle have been on feed and by the farmer's intentions for marketing them.

Compared with a year earlier, the number on feed less than three months was up only 2 percent, but the number on feed three to six months was up 24 percent, and the number on feed over six months was up 20 percent. Also, compared with last year, intended marketings for October-November are up only 4 percent, while intended marketings for December and later are up 17 percent.

Cattle in feedlots this year have also been on feed longer, and farmers plan to market them later than they did two years ago, when numbers being fed were at a record high for the season.

AVERAGE WEIGHTS GREATER THAN IN THE PAST. Cattle are reported in new weight groupings this year, so direct weight comparisons with previous years cannot be made. However, it appears that the cattle in feedlots on October 1 averaged 20 or 25 pounds a head heavier than those of a year earlier, and about 40 pounds heavier than the cattle on feed two years ago. Thus the tonnage of beef in feedlots is probably at a record high, but about the same in proportion to population as it was two years ago.

The longer feeding period may lead to greater average slaughter weights and to a record tonnage of fed beef this winter.

(Continued)

While feedlots may contain a record tonnage of beef, its marketing may be spread over a longer time than in past years. Perhaps more important, the supply of other beef may be less than it was two years ago, though probably not less than in this past year.

SUPPLY OF NONFED BEEF TO CONTINUE SMALL. Less than half of the total supply of beef is fed beef. The rest is beef from cows, steers and heifers that are not fed for fattening before slaughter. According to USDA estimates, 55 percent of the beef in 1956 was nonfed beef. The nonfed cattle that were slaughtered included 28 percent of all heifers, 46 percent of all steers and 98 percent of all cows. Slaughter of such cattle, especially cows, will continue to be small during the coming winter and spring.

The scarcity of low-grade beef will hold a strong foundation under the market for fed cattle. This can prevent a drastic slide in prices of fed cattle, but it does not guarantee any price premium for the high-grading fat cattle.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-10/58-11,400

PERMIT NO. 1247

Carryover stocks of sorghum grain, corn and soybeans were at new record highs at the end of the 1957-58 marketing year. Price support programs were the principal cause of the large accumulations of corn and sorghum grain. These accumulations may be good or not, depending on their size in relation to national needs.

Sorghum grain. The carryover of sorghum grain on October 1 was estimated at 309 million bushels. This amount is nearly four times the previous record set in 1956 and equaled in 1957. It is 69 percent of total 1957 production.

The 1958 crop was estimated in October at 607 million bushels, 8 percent above last year's record. Texas, Kansas and Nebraska are the leading producers. Price support loans are available at \$1.83 a hundred pounds. The crop is drier than it was last year, so the price support program may be more effective.

Corn. Carryover of corn on October 1 was estimated at 1,467 million bushels. This amount is only 3 percent more than the previous record set a year ago, but equals 41 percent of the 1957 crop. Before price supports a normal carryover was about 10 percent of the previous year's crop.

The 1958 crop was estimated in October at 3,686 million bushels, which is 8 percent more than last year, but only 2 percent more than the previous record crop harvested 10 years ago.

The national average price support loan rate for non-compliance corn is \$1.06 a bushel. Harvest time sales seem likely to hold prices 10 to 15 cents below the loan level for a few weeks.

Soybeans. The carryover of old soybeans on October 1 was estimated at only 21 million bushels. Although this is about twice the largest previous record carryover, it is only 4 percent of the 1957 crop. Excessive carryover was prevented first by keeping price support levels in line with market values and more recently by paying large subsidies for the exporting of soybean oil under Public Law 480.

The 1958 crop is estimated at 573 million bushels, up 19 percent from the previous record set just last year. The official average price support loan rate is \$2.09 a bushel, but the rate is a few cents higher for dry beans. Prices will probably stay 10 to 15 cents under the loan until farmers put around 100 million bushels under price support.

Wheat. Wheat on October 1 was also at a new record high of 2,126 million bushels, or 18 percent more than the previous record for the date set two years ago. October 1 stocks include most of the 1,449 million bushels of wheat produced this year as well as that remaining from previous crops. Carryover next July 1 is forecast at 1,330 million bushels.

Wheat prices have received some support from recent international arguments. The national average price support rate is \$1.82 a bushel. Substantial amounts of wheat, however, are not eligible for price support. Recent prices for the red winter wheats have been about 10 cents below the loan level.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bidward

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-10/58-11,400

PERMIT NO. 1247

This is apparently the last year for "two-level" price support programs for corn. Farmers will vote on November 25 to determine which of two single-level programs will go into effect beginning next year. The programs will be designated No. 1 and No. 2 on the ballot.

Program No. 1 would eliminate acreage allotments and would support prices of all 1959 corn at about \$1.12 to \$1.15. Price support in later years would probably not fall below about \$1.10.

Program No. 2 would provide price support at about \$1.24 to \$1.27 for 1959 and later crops. But supports would be available only to farmers who comply with allotments. The national acreage allotment would be about 15 percent smaller than in 1958. Individual farm allotments may be reduced less or more than 15 percent. If surplus stocks continue to increase, the law provides that allotments be reduced still further in future years.

Which of the two programs would be best for a farmer? That may depend upon his individual circumstances. Some farmers may benefit more from one program, while others would gain more from the other. In my opinion neither program will solve many farmers' income problems.

There seems to be little reason to continue with the present acreage allotment program for corn. The basic purpose of the allotments was to limit feed and livestock production. But corn provides only one-fourth of the feed consumed by livestock, and only about 10 percent of all corn is grown in compliance with allotments. Most of the land kept out of corn by allotments produces some other feed. At least 97 percent of all feed produced is grown outside of corn acreage allotments.

Price supports for corn were kept too high for too long. They caused excessive stocks to accumulate. The law, enacted in 1948, provides that, as stocks increase, both acreage allotments and price support levels must be reduced.

(Continued)

If the allotment program is continued in 1959, allotments will be so small and price support so low that few farmers will comply. Thus, there will probably be essentially no real price support for corn, since the USDA has said that "It is not planned to continue supports on corn not in compliance with acreage allotments."

Support for other feed grains. If Program No. 1 is approved (allotments voted out), price support for sorghum grain, oats and barley will be required by law. The support levels for these grains must be in "fair" relationship to the support level for corn.

If Program No. 2 is approved (allotments continued), price support for the other feed grains will be entirely at the option of the Secretary, as at the present time. The 1958 crops of sorghum grain, oats and barley are being supported at 70 percent of parity, with no acreage allotments.

In order to be assured of equal treatment with producers of other feed grains--that is, price support without acreage allotments--corn growers apparently will have to approve Program No. 1.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Bloward

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-11/58-11,525

PERMIT NO. 1247

Farmers voting in the Corn Referendum on November 25 may have much influence on future farm legislation by Congress.

Suppose that a substantial majority of farmers vote for Program No. 1. This is the program that would eliminate acreage allotments and provide price support for all corn at not less than \$1.12 to \$1.15 in 1959, and probably 2 to 5 cents less in 1960.'

A strong vote for this program would probably be interpreted by Congress as a vote of "no confidence" in acreage controls for feed crops. Opponents of restrictions could say that corn producers, after 25 years of experience and experiment with controls, voted to end them. Congress would be unlikely to restore acreage restrictions on corn, or to impose them on other feed crops or soybeans.

But suppose that a majority of the farmers vote for Program No. 2. This program would continue the acreage allotment program that has been in effect in recent years. The national corn acreage allotment would be about 15 percent smaller in 1959 than in 1958. Many individual farm allotments would probably be reduced more, but some might be cut less or not at all. Price support at \$1.24 to \$1.27 a bushel would be available for corn produced under allotments in 1959 and at about the same rate in later years.

If farmers vote for allotments, it appears likely that there would be no price support for corn grown outside of allotments. The Department has said that "It is not planned to continue supports on corn not in compliance with acreage allotments."

It is true that somewhat similar statements have been made in recent years. However, the wording of and the circumstances surrounding this statement lead us to believe that price support would not be made available for corn produced outside of allotments if farmers vote to keep them in effect in 1959.

(Continued)

Because of the small allotments and relatively low price support under this program, compliance would be small. It would be a very weak price support program. In fact, some farmers may vote for it because it would be the nearest to no program that is offered.

But if this program is approved by a large majority of farmers, Congress may conclude that corn growers want restrictions, even though the program possible under existing law would be practically inoperative. Congress then might well enact new legislation providing for tighter controls on corn, and for companion controls on soybeans, oats, barley and sorghum grain.

In any event, Congress seems certain to revise farm legislation within a year or two. Congressmen from Maine to California will be watching to see how farmers vote on November 25. What they see will exert a strong influence upon future farm legislation. Farmers should remember that when they vote for or against acreage allotments on November 25.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Howard

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-11/58-11,525

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Each new monthly crop estimate this year has brought forth moans of dismay. There seems to be a belief that crop production, like cancer cells, is running out of control. But this picture is hardly accurate.

Take corn as an example: The 1958 crop is estimated at 3,786 million bushels, which is 11 percent more than last year and a new record high. That sounds formidable--until we put it in perspective by comparing it with earlier record crops and with the growth of our nation.

Grandpa produced a three-billion-bushel corn crop more than 50 years ago. In 1906, production totaled 3,033 million bushels. In the 52 years since 1906, our population has grown by 108 percent, while corn production has increased only 25 percent. And remember that this production has been achieved with price support for all corn and practically no production control.

The 1958 wheat production is also at a record high--1,446 million bushels. This is a whopping 53 percent more than we produced last year. But last year's miniature output was beaten 60 years ago, in 1898, when farmers produced 768 million bushels. From that year to this, wheat output has increased 88 percent, while population has swelled by 140 percent.

Cotton production this year is estimated at 12.1 million bales. That is 5 percent more than last year, but is far from a record. This year's production was exceeded 'way back in 1904, when 13.4 million bales were produced. The record crop, 18.3 million bales, was picked in 1937, 21 years ago.

Coming back to the midwest, we find the 1958 oat crop estimated at 1,419 million bushels, which is 8 percent over 1957. Grandpa could tell you that they topped that 'way back in 1915 with 1,435 million bushels. This year's crop has been exceeded seven times in the past 43 years. The record crop of 1,524 million was produced in 1945.

(Continued)

The barley crop for this year is estimated at 466 million bushels, a record high. But Dad binned 429 million bushels in 1942. The increase in 16 years is only 9 percent. Dad's record stood for 15 years, while population increased 25 percent. There is price support, but no production control for barley.

Sorghum grains tell a different story. Production in each of the past two years has been double that of any earlier year, mostly because of unusually favorable weather in the sorghum bowl.

Since 1920, total production of the four feed grains has increased only 36 percent, while population has grown 63 percent.

Soybeans are a relatively new crop. Bean production was boosted by acreage allotments on corn, wheat and cotton in the 1930's and again in the 1950's. Soybean oil has replaced decreasing supplies of other food fats, and the meal has provided protein needed in livestock and poultry rations.

The point is that crop production has not increased excessively. Surplus stocks have accumulated primarily because attempts to solve the "farm problem" by legislation have restricted markets for our crops.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-11/58-11,525
PERMIT NO. 1247

Sideline discussions at the National Agricultural Outlook Conference in Washington brought out some important trends in farming not generally reported elsewhere. Among these were the following points:

1. A succession of weather developments lifted farm income in 1958:

First, unfavorable weather in the fall of 1957 delayed harvest and sales of some crops until after January 1. This added to income in 1958.

Second, winter freezes in the south trimmed production, raised prices and boosted returns from fruits and vegetables.

Third, rapidly improving range and pasture conditions caused ranchers and farmers to slow their sales of cattle. This boosted total returns from both cattle and hogs.

Finally, very favorable weather over most of the United States produced exceptionally large crops. The big production, together with price supports provided large income from the sale of crops.

Altogether, these weather developments lifted net realized farm income for 1958 about one-fifth above that of 1957. Some of these weather effects will fade out in 1959, and farm income will decline accordingly.

2. Producers in other regions believe that they can make good profits from producing products now being produced mostly in the corn belt. Here are some examples:

First, many farmers in the south think they took the broiler business away from the corn belt, and they believe they can take the hog business too. Hogs at \$18 to \$20 would make very attractive profits for southern farmers.

Second, the production of sorghums and other feed grains in the southwest is being greatly stimulated by price supports. Increased production is being achieved principally by the development of new hybrid varieties and by increased irrigation. About 60 percent of the sorghum grain that is

produced is "sold" to Uncle Sam by way of price support loans. After the government takes over the grain, it is sold at cut rates, for export or domestic use, in competition with corn.

Production of sorghum grain this year is estimated at 639 million bushels. This will provide almost as much feed as will be provided by all the corn and oats grown in Illinois in 1958.

In the far southwest, corn is often the most profitable crop, except for cotton, that can be grown on the newly irrigated lands. In Kansas, and probably in other dry areas, land can be purchased and wells and irrigation equipment provided for less per acre than the price of corn-belt land.

3. Large-scale farming is developing rapidly, especially in the livestock enterprises. For example, one "farm" has 250,000 laying hens. Eight or ten others have 100,000 hens or more.

A semi-cooperative dairy farm in Iowa has over 800 dairy cows. In Utah, cows belonging to several farmers are handled in one herd, the profits being divided among the farmers who furnish the cows. There are several such herds. This practice has been growing since 1939. In New Jersey, a large herd of dairy cows is owned by the workers who care for it.

These are but a few examples of the important developments that are influencing farming and farmers these days.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-11/58-11,525
PERMIT NO. 1247

Now that farmers have voted to end corn acreage allotments, what prices can they expect for corn and livestock? The following are our opinions:

1. Market prices of corn and the other feeds will hold in the range of the past two years--\$1.00 to \$1.20 a bushel.

2. Prices of meat animals, which have been high in relation to prices of feed and most other farm products, will swing down to more normal ranges compared with feed prices.

3. Prices of milk, butterfat, poultry and eggs will not change very much, and profit margins will not be much affected.

Corn and other feeds. There is no good reason to expect any exceptional increase in feed production. No big increase in the acreage of feeds is in sight. Most of our good land has always been planted to feed crops, soybeans, wheat or cotton. The relatively small acreage coming out of the Soil Bank in 1959 may be offset by less favorable growing conditions in 1959 than in 1958.

Price incentives to boost per acre yields will be less than previously. The new price support rate for corn will be 20 to 25 cents lower than the high support rate of the past two crops. It will be about the same as average market prices in the past two years.

Elimination of the high support level for corn will have the effect of reducing the government demand for corn. It will also encourage increased feeding of corn to hogs, beef cattle and poultry.

Meat animals. In recent years prices of hogs and cattle have been unusually high in relation to market prices of corn and other feeds. For example, during the 10 years 1949-1958, the hog-corn price ratio averaged 14.3 compared with earlier long-time averages of about 11.6. Prices of beef cattle were equally favorable in relation to feed costs.

(Continued)

While prices of meat animals were far out of line with prices of corn, they were not so far out of balance with the high price support level. As price supports for corn move close to market value, production of livestock will increase and prices will swing downward. However, the prospective price support level for corn will provide considerable support for livestock prices. Many farmers will take a "sure-thing" loan at around \$1.10 or \$1.15 rather than put out extra effort and take the risk of feeding hogs or cattle. This will tend to keep livestock prices high in relation to feed prices. Livestock will not make profits every year, but producers will have more good years than bad ones.

Dairy. The new price support level for corn does not seem likely to have much effect upon prices of milk or butterfat. Price supports for manufacturing milk, and price-fixing market orders for fluid milk, remain unchanged.

Poultry and eggs. Poultrymen now buy most of their feed. Their industry has been very competitive, and the new program for corn makes no important change in the prospects for profit margins.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blouard

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-12/58-11,525
PERMIT NO. 1247

Corn prices made a quick recovery from their harvest-time low. The price has risen about to the \$1.06 price support level. The recovery came more quickly this year than last, probably because harvest was finished earlier and much more of the corn was storable and thus eligible for price support.

Prices for 1957 crop corn had increased to about \$1.25 a bushel by midsummer. Prices of the 1958 crop may rise from recent levels, but prospective bearish forces are heavier than they were a year ago.

Price depressants

The supply of corn is much larger than it was a year ago. The crop is estimated at 3,686 million bushels, up 8 percent. Carryover of old corn totaled 1,467 million bushels, up 3 percent. Carryover, which increased only 48 million bushels in 1957-58, will swell by perhaps 300 million by next October 1.

The price support levels, \$1.06 and \$1.36, are 4 cents lower than last year.

Prices of livestock may follow a downward trend in 1959, whereas they rose this past year,

Since the price of corn has risen close to the lower loan level, there is now little inducement to tie up non-compliance corn under price support loans.

Supplies of other feeds are much more abundant in many areas than they were a year ago. The East and South, especially, are better fixed for feed than they were last year. They will be less aggressive buyers than they were a year ago.

Some farmers are holding corn until after the end of 1958 to delay income tax liability for a year. Some of them will be selling after the first of the year.

(Continued)

Business conditions, often a price-making factor in grain markets, have improved during the past six months, but may be no better this winter than they were a year before.

Price-lifters

Hog production is increasing rapidly. Hogs may use 15 percent more corn than they did last year.

The laying flock is 3 or 4 percent larger than it was a year ago, and broiler production is running 10 to 15 percent greater. Next to hogs, poultry is the biggest user of corn.

Many farmers are in a stronger financial position than they were a year ago. Thus they are able to hold their corn longer and sell later than they did last year. Delay in selling would add to early market strength but make later weakness.

Last spring the corn market got a lift when export takings were shifted from CCC stocks to open market supplies. Exports have continued to come from the open market, so early season prices have received support this year.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300



Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-12/58-11,525
PERMIT NO. 1247

In the beef cattle industry, 1958 was much like 1951--and 1959 may be like 1952. Note these similarities between 1958 and 1951:

Both 1958 and 1951 followed a period of relative stability in cattle numbers. Cattle numbers increased 4 million head in 1951, and apparently about the same in 1958. Beef output dropped by an amount equal to 7 pounds per person in 1951 and 5 pounds in 1958. Prices of choice steers reached an all-time monthly high of \$36.93 in the spring of 1951, and a monthly high of \$29.90 in the spring of 1958. In both years prices were lower in the fall than in the spring.

Remember 1952? What happened to cattle in 1952? Farmers continued to build up their herds even more than in 1951. They increased the rate of buildup from 4 million in 1951 to 6 million in 1952. But beef output increased by 6 pounds per person and cattle prices trended downward, though the largest price decline did not come until early in 1953.

Price Trend. Prices of choice steers made their all-time monthly average high of \$36.93 in April 1951. They held around \$36.00 through most of that year and then worked down to \$30.00 by the end of 1952. Prices sank rapidly in the winter of 1953, and by April the monthly average for choice steers at Chicago was down to \$22.00 a hundred pounds.

What of 1959? Farmers and ranchers will very likely hold back cattle again--perhaps even more than they held back in 1958. But some of the cattle and calves that were held back in the fall of 1957 and 1958 will be ready for market. Thus the output of beef surely will not decline, but is likely to increase. A relatively small increase in beef output combined with a substantial increase in the production of pork, and probably of poultry, seems likely to weaken the supports under cattle prices.

(Continued)

Differences. There are some important differences between the present outlook and the situation of seven years ago. The effects of some of these differences, however, tend to cancel out or offset one another. For example:

1. There is now no wartime inflation to subside in the year ahead as there was seven years ago.
2. Beef did not have to meet increasing competition from pork in 1952 as it will in 1959. The pork supply is expected to increase by about 12 percent next year.

These differences do not seem to be sufficient to prevent the beginning of a downward adjustment in prices of beef cattle during the year ahead.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Louis B. Boward

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914

III. EE278-12/58-11,525

PERMIT NO. 1247

Penalty for Private Use to Avoid
Payment of Postage \$300

Most Illinois farmers had a very good year in 1958. Average net income was up 15 to 25 percent, making the year the best since 1951. The year ahead will probably not be so good as the one just ending.

Weather conditions did more than anything else to lift farm income. The weather helped to boost prices of livestock and produce bumper crop yields.

The boost in livestock prices came about through the ending of the drouth that had been particularly severe in the southwest. As ranges improved and feed and water supplies increased, ranchers and farmers began to hold back calves and cattle to increase their herds. This reduced marketing, lowered the output of meat and raised prices of livestock.

The meat supply shrank to 151 pounds per person in 1958, the smallest since 1952.

Where monthly average prices of choice steers ranged from \$21 to \$26 in 1957, the range was \$26 to \$30 in 1958. For the year as a whole, prices of fed cattle were the highest since 1952.

Monthly average hog prices, which ranged from \$17 to \$21 in 1957, were \$18 to \$23 in 1958. For the year, hog prices were the best since 1954.

Total volume of livestock sold by Illinois farmers was probably about the same in the two years.

Looking ahead to 1959, we anticipate that increased marketings of hogs, and probably of cattle, will reduce prices of livestock, particularly hogs.

Most cash-grain farmers, too, had a good year. Crop yields were generally much better than in 1957, and well above the 10-year average. The state-wide average corn yield in 1958 was 68 bushels--4 bushels more than in 1957 and 13 bushels over the 10-year average.

Soybeans averaged 28 1/2 bushels an acre, which was 3 bushels more than 1957 and 5 bushels above the 10-year average.

Illinois wheat in 1958 yielded 31 bushels, 10 bushels more than the year before and 5 bushels above the 10-year figure.

Oats made 53 bushels an acre, 14 bushels more than in 1957 and 11 bushels over the state 10-year average.

Ordinarily, extra big crops depress prices so that total returns decline. With price supports in effect, however, total returns went up.

Dairymen gained less than most other farmers in 1958. Both prices and amount of milk sold remained about the same as in 1957. Dairymen benefited from good pastures, good crop yields and a substantial increase in prices received for calves and cows sold.

The state's poultrymen did not share in the increase in farm income in 1958. Profits from eggs, usually made during the fall, were low. The broiler business became increasingly competitive. Prices of turkeys were lower than in the previous year.

Looking ahead to 1959, we can see an increase in the output of pork. Increased sales of hogs will offset only about half of the expected decline in prices. The increasing abundance of pork and poultry, and a possible increase in beef, may depress prices of cattle. As for most crops, it seems likely that both yields and price supports will be lower than in 1958. Farm income in the year ahead may be near that of 1957.

L. H. Simerl
Department of Agricultural Economics

THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis Blooward

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
Ill. EE278-12/58-11,550
PERMIT NO. 1247

Many farmers missed the important December Pig Crop Report, released during the last-minute Christmas rush. So here is a summary and analysis:

SUMMARY. The 1958 fall pig crop was 17 percent larger than that of one year before. Farmers reported intentions pointing to an increase of 13 percent in the 1959 spring pig crop over that of 1958.

ANALYSIS. The fall pig crop: Farmers saved 42,470,000 fall pigs, according to the USDA report issued on December 23. This number was 3 percent more than was indicated when farmers reported their intentions back in June. The fall pig crop was the largest ever produced except for two years during World War II. In relation to population, it is also the largest since World War II, but not much larger than those of 1950 and 1951. Pig crops of those years, however, sold during the Korean War--and while slaughter of cattle was small.

The monthly pattern of fall farrowings was not much different in 1958 from those of recent years, though it was more even than those of 10 years ago. The big month was, as usual, September, with 25.6 percent of the June-December total. August was a close second in farrowings, with 23.8 percent. Biggest actual increase over 1957 was in August, when the increase was 19 percent. All the months showed some increase from year-before farrowings.

The 1958 fall pig crop was 19 percent smaller than the 1958 spring pig crop. Thus the output of pork in prospect for the next six months is less than it has been for the past six months, though much more than in the first half of 1958. Hog marketings may be bunched somewhat in January, as some farmers delayed marketings until after the end of the 1958 income tax year. Hog slaughter may also bulge in March and April, when pigs from the August and September litters are rolled to market. Market receipts should drop off considerably in May and June.

(Continued)

Hog prices seem likely to range around \$18 during the first six months of 1959. Discounts for extra weight have increased from a year ago and will probably remain fairly large until late next summer.

1959 spring pig crop: If farmers carry out the intentions they reported in December, and if they save a normal number of pigs per litter, the 1959 spring pig crop will total about 59,000,000 head. This would be 13 percent more than in 1958. It would be the largest spring pig crop since 1951, when more than 61,000,000 spring pigs were saved, and 2 percent larger than that of 1955, which sold at around \$10 at the end of the year.

There will be more competition from broilers next fall than there was in 1955, but several other factors are more favorable than they were at that time. Farmers are producing better quality pork. They are spreading their marketings more uniformly throughout the year. The supply of beef will be smaller. Population is 7 percent greater than it was four years ago. And packers and retailers will be better prepared to handle the increased volume than they were in 1955. This seems to add up to another profitable year for hog producers, though profits will not be so large as in 1958.

L. H. Simerl
Department of Agricultural Economics

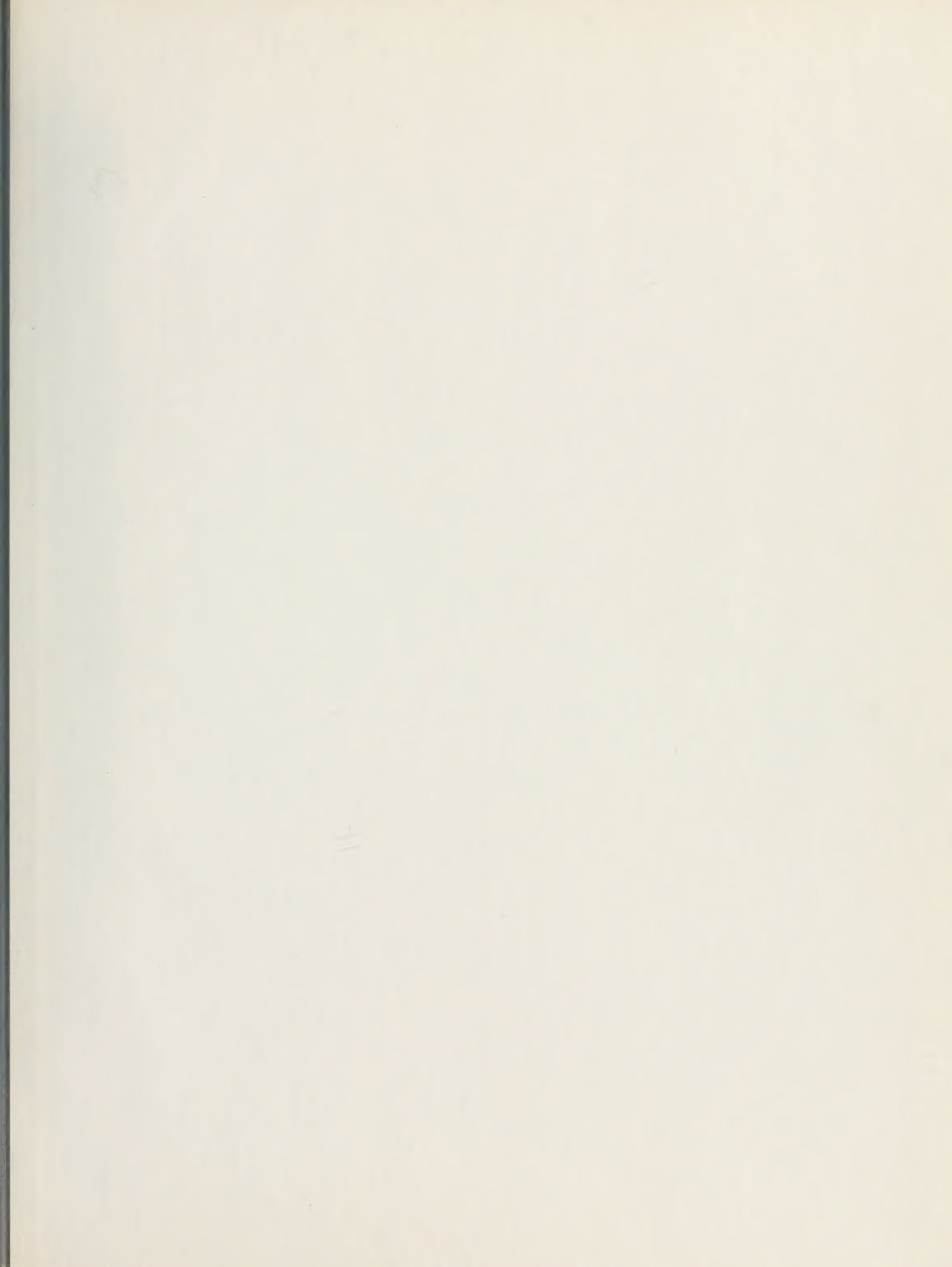
THE UNIVERSITY OF ILLINOIS
College of Agriculture
Urbana, Illinois

Penalty for Private Use to Avoid
Payment of Postage \$300

Louis B. Boward

Director

FREE--Cooperative Agricultural Extension
Work. Acts of May 8 and June 30, 1914
III. EE278-12/58-11,550
PERMIT NO. 1247







UNIVERSITY OF ILLINOIS-URBANA

338.1IL662W
ILLINOIS FARMERS' OUTLOOK LETTER URBANA
1953-58

C003

ILLINOIS FARMERS' OUTLOOK LETTER URBANA



3 0112 018943982